

House Study Bill 682

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON DRAKE)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the establishment of a form of business
2 association referred to as a cooperative, and providing for
3 fees and tax credits and providing penalties.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 5655HC 80
6 da/pj/5

PAG LIN

1 1 DIVISION I
1 2 ENACTMENT OF IOWA COOPERATIVE ASSOCIATIONS ACT
1 3 SUBCHAPTER 1
1 4 GENERAL PROVISIONS
1 5 Section 1. NEW SECTION. 501A.101 SHORT TITLE.
1 6 This chapter shall be known and may be cited as the "Iowa
1 7 Cooperative Associations Act".
1 8 Sec. 2. NEW SECTION. 501A.102 DEFINITIONS.
1 9 As used in this chapter, unless the context otherwise
1 10 requires:
1 11 1. "Address" means mailing address, including a zip code.
1 12 In the case of a registered address, the term means the
1 13 mailing address and the actual office location, which shall
1 14 not be a post office box.
1 15 2. "Alternative ballot" means a method of voting for a
1 16 candidate or issue prescribed by the board in advance of the
1 17 vote, and may include voting by electronic, telephonic,
1 18 internet, or other means that reasonably allow members the
1 19 opportunity to vote.
1 20 3. "Articles" means the articles of organization of a
1 21 cooperative as originally filed or subsequently amended as
1 22 provided in this chapter.
1 23 4. "Association" means a business entity on a cooperative
1 24 plan and organized under the laws of this state or another
1 25 state or that is chartered to conduct business under the laws
1 26 of another state.
1 27 5. "Board" means the board of directors of a cooperative.
1 28 6. "Business entity" means a person organized under
1 29 statute or common law in this state or another jurisdiction
1 30 for purposes of engaging in a commercial activity on a profit,
1 31 cooperative, or not-for-profit basis, including but not
1 32 limited to a corporation or entity taxed as a corporation
1 33 under the Internal Revenue Code, nonprofit corporation,
1 34 cooperative or cooperative association, partnership, limited
1 35 partnership, limited liability company, limited liability
2 1 partnership, investment company, joint stock company, joint
2 2 stock association, or trust, including but not limited to a
2 3 business trust.
2 4 7. "Cooperative" means a business association organized
2 5 under this chapter.
2 6 8. "Crop" means a plant used for food, animal feed, fiber,
2 7 or oil, if the plant is classified as a forage or cereal
2 8 plant, including but not limited to alfalfa, barley,
2 9 buckwheat, corn, flax, forage, millet, oats, popcorn, rye,
2 10 sorghum, soybeans, sunflowers, wheat, and grasses used for
2 11 forage or silage.
2 12 9. "Domestic business entity" means a business entity
2 13 organized under the laws of this state, including but not
2 14 limited to a corporation organized pursuant to chapter 490; a
2 15 nonprofit corporation organized under chapter 504A; a limited
2 16 liability company as defined in section 490A.102; a
2 17 partnership or limited liability partnership as provided in
2 18 chapter 486A or 487; or cooperative association or other
2 19 cooperative organized under this chapter or chapter 497, 498,
2 20 or 501.
2 21 10. "Domestic cooperative" means a cooperative association

2 22 or other cooperative organized under this chapter or chapter
2 23 497, 498, 499, or 501.

2 24 11. "Foreign business entity" means a business entity that
2 25 is not a domestic business entity.

2 26 12. "Foreign cooperative" means a foreign business entity
2 27 organized to conduct business consistent with this chapter or
2 28 chapter 497, 498, 499, or 501.

2 29 13. "Iowa limited liability company" means a limited
2 30 liability company governed by chapter 490A.

2 31 14. "Livestock" means the same as defined in section
2 32 717.1.

2 33 15. "Member" means a person or entity reflected on the
2 34 books of a cooperative as the owner of governance rights of a
2 35 membership interest of the cooperative and includes patron and
3 1 nonpatron members.

3 2 16. "Member control agreement" means an instrument which
3 3 controls the investment or governance of nonpatron members,
3 4 which may be executed by the board and one or more nonpatron
3 5 members and which may provide for their individual or
3 6 collective rights to elect directors or to participate in the
3 7 distribution or allocation of profits or losses.

3 8 17. "Membership interest" means a member's interest in a
3 9 cooperative consisting of a member's financial rights, a
3 10 member's right to assign financial rights, a member's
3 11 governance rights, and a member's right to assign governance
3 12 rights. "Membership interest" includes patron membership
3 13 interests and nonpatron membership interests.

3 14 18. "Members' meeting" means a regular or special members'
3 15 meeting.

3 16 19. "Nonpatron member" means a member who holds a
3 17 nonpatron membership interest.

3 18 20. "Nonpatron membership interest" means a membership
3 19 interest that does not require the holder to conduct patronage
3 20 for or with the cooperative to receive financial rights or
3 21 distributions.

3 22 21. "Patron" means a person or entity who conducts
3 23 patronage with the cooperative, regardless of whether the
3 24 person is a member.

3 25 22. "Patronage" means business, transactions, or services
3 26 done for or with the cooperative as defined by the
3 27 cooperative.

3 28 23. "Patron member" means a member holding a patron
3 29 membership interest.

3 30 24. "Patron membership interest" means the membership
3 31 interest requiring the holder to conduct patronage for or with
3 32 the cooperative, as specified by the cooperative to receive
3 33 financial rights or distributions.

3 34 25. "Secretary" means the secretary of state.

3 35 26. "Traditional cooperative" means a cooperative or
4 1 cooperative association organized under chapter 497, 498, 499,
4 2 or this chapter.

4 3 Sec. 3. NEW SECTION. 501A.103 REQUIREMENTS FOR DOCUMENTS
4 4 == FILING AND SIGNATURES.

4 5 A document is signed when a person has written on a
4 6 document. A person authorized to do so by this chapter, the
4 7 articles or bylaws, or by a resolution approved by the
4 8 directors or the members must sign the document. A signature
4 9 on a document may be a facsimile affixed, engraved, printed,
4 10 placed, stamped with indelible ink, transmitted by facsimile
4 11 or electronically, or in any other manner reproduced on the
4 12 document.

4 13 SUBCHAPTER 2

4 14 FILING

4 15 PART A

4 16 GENERAL REQUIREMENTS

4 17 Sec. 4. NEW SECTION. 501A.201 GENERAL FILING
4 18 REQUIREMENTS.

4 19 1. A document must satisfy the requirements of this
4 20 section, and of any other section that adds to or varies these
4 21 requirements, to be entitled to filing.

4 22 2. The document must be one that this chapter requires or
4 23 permits to be filed with the secretary.

4 24 3. The document must contain the information required by
4 25 this chapter. The document may contain other information as
4 26 well.

4 27 4. The document must be typewritten or printed. The
4 28 typewritten or printed portion shall be in black ink.
4 29 Manually signed photocopies, or other reproduced copies,
4 30 including facsimiles and other electronically or computer=
4 31 generated copies of typewritten or printed documents may be
4 32 filed.

4 33 5. The document must be in the English language. A
4 34 cooperative's name need not be in English if written in
4 35 English letters or Arabic or Roman numerals. The articles,
5 1 duly authenticated by the official having custody of the
5 2 applicable records in the state or country under whose law the
5 3 cooperative is formed, which are required of cooperatives,
5 4 need not be in English if accompanied by a reasonably
5 5 authenticated English translation.

5 6 6. The document must be executed by one of the following
5 7 persons:

5 8 a. An officer of the cooperative, or if no officer has
5 9 been selected, by any patron member of the cooperative.

5 10 b. If the cooperative has not been organized, by the
5 11 organizers of the cooperative as provided in subchapter 5.

5 12 c. If the cooperative is in the hands of a receiver,
5 13 trustee, or other court-appointed fiduciary, that fiduciary.

5 14 7. The person executing the document shall sign the
5 15 document and state beneath or opposite the person's signature,
5 16 the person's name, and the capacity in which the person signs.

5 17 8. If, pursuant to any provision of this chapter, the
5 18 secretary has prescribed a mandatory form for the document,
5 19 the document shall be in or on the prescribed form.

5 20 9. The document must be delivered to the secretary for
5 21 filing and must be accompanied by the correct filing fee as
5 22 provided in this subchapter.

5 23 Sec. 5. NEW SECTION. 501A.202 FILING DUTY OF SECRETARY
5 24 OF STATE.

5 25 1. If a document delivered to the secretary for filing
5 26 satisfies the requirements of section 501A.201, the secretary
5 27 shall file it and issue any necessary certificate.

5 28 2. The secretary files a document by stamping or otherwise
5 29 endorsing "filed", together with the secretary's name and
5 30 official title and the date and time of receipt, on both the
5 31 document and the receipt for the filing fee, and recording the
5 32 document in the records of the secretary. After filing a
5 33 document, and except as provided in section 501A.204, the
5 34 secretary shall deliver the document, with the filing fee
5 35 receipt, or acknowledgment of receipt if no fee is required,
6 1 attached to the domestic cooperative or foreign cooperative or
6 2 its representative.

6 3 3. If the secretary refuses to file a document, the
6 4 secretary shall return it to the domestic cooperative or
6 5 foreign cooperative or its representative within ten days
6 6 after the document was received by the secretary, together
6 7 with a brief, written explanation of the reason for the
6 8 refusal.

6 9 4. The secretary's duty to file documents under this
6 10 section is ministerial. Filing or refusing to file a document
6 11 does not do any of the following:

6 12 a. Affect the validity or invalidity of the document in
6 13 whole or in part.

6 14 b. Relate to the correctness or incorrectness of
6 15 information contained in the document.

6 16 c. Create a presumption that the document is valid or
6 17 invalid or that information contained in the document is
6 18 correct or incorrect.

6 19 Sec. 6. NEW SECTION. 501A.203 EFFECTIVE TIME AND DATE OF
6 20 DOCUMENTS.

6 21 1. Except as provided in subsection 2 and section
6 22 501A.204, subsection 3, a document accepted for filing is
6 23 effective at the later of the following times:

6 24 a. At the time of filing on the date the document is
6 25 filed, as evidenced by the secretary's date and time
6 26 endorsement on the original document.

6 27 b. At the time specified in the document as its effective
6 28 time on the date the document is filed.

6 29 2. A document may specify a delayed effective time and
6 30 date, and if the document does so, the document becomes
6 31 effective at the time and date specified. If a delayed
6 32 effective date but no time is specified, the document is
6 33 effective at the close of business on that date. A delayed
6 34 effective date for a document shall not be later than the
6 35 ninetieth day after the date the document is filed.

7 1 Sec. 7. NEW SECTION. 501A.204 CORRECTING FILED
7 2 DOCUMENTS.

7 3 1. A domestic cooperative or foreign cooperative may
7 4 correct a document filed by the secretary if the document
7 5 satisfies any of the following requirements:

7 6 a. Contains an incorrect statement.

7 7 b. Was defectively executed, attested, sealed, verified,
7 8 or acknowledged.

7 9 2. A document is corrected by complying with all of the
7 10 following:
7 11 a. By preparing articles of correction that satisfy all of
7 12 the following requirements:
7 13 (1) Describe the document, including its filing date, or
7 14 attach a copy of the document to the articles.
7 15 (2) Specify the incorrect statement and the reason the
7 16 statement is incorrect or the manner in which the execution
7 17 was defective.
7 18 (3) Correct the incorrect statement or defective
7 19 execution.
7 20 b. By delivering the articles of correction to the
7 21 secretary for filing.
7 22 3. Articles of correction are effective on the effective
7 23 date of the document the articles correct, except as to
7 24 persons relying on the uncorrected document and adversely
7 25 affected by the correction. As to those persons, articles of
7 26 correction are effective when filed.

7 27 Sec. 8. NEW SECTION. 501A.205 FEES.
7 28 1. The secretary shall collect the following fees when
7 29 documents described in this subsection are delivered to the
7 30 secretary's office for filing:

7 31 a. Articles of organization	\$50
7 32 b. Application for use of indistinguishable name	\$10
7 33 c. Application for reserved name	\$10
7 34 d. Notice of transfer of reserved name	\$10
7 35 e. Application for registered name per month	
8 1 or part thereof	\$ 2
8 2 f. Application for renewal of registered name	\$20
8 3 g. Statement of change of registered agent or	
8 4 registered office or both	No fee
8 5 h. Agent's statement of change of registered	
8 6 office for each affected cooperative	No fee
8 7 i. Agent's statement of resignation	No fee
8 8 j. Amendment of articles of organization	\$ 50
8 9 k. Restatement of articles of organization with	
8 10 amendment of articles	\$ 50
8 11 l. Articles of merger	\$ 50
8 12 m. Articles of dissolution	\$ 5
8 13 n. Articles of revocation of dissolution	\$ 5
8 14 o. Certificate of administrative dissolution	No fee
8 15 p. Application for reinstatement following	
8 16 administrative dissolution	\$ 5
8 17 q. Certificate of reinstatement	No fee
8 18 r. Certificate of judicial dissolution	No fee
8 19 s. Application for certificate of authority	\$100
8 20 t. Application for amended certificate of authority	\$100
8 21 u. Application for certificate of cancellation	\$ 10
8 22 v. Certificate of revocation of authority to transact	
8 23 business	No fee
8 24 w. Articles of correction	\$ 5
8 25 x. Application for certificate of existence or	
8 26 authorization	\$ 5
8 27 y. Any other document required or permitted to	
8 28 be filed by this chapter	\$ 5

8 29 2. The secretary shall collect a fee of five dollars each
8 30 time process is served on the secretary under this chapter.
8 31 The party to a proceeding causing service of process is
8 32 entitled to recover this fee as costs if the party prevails in
8 33 the proceeding.
8 34 3. The secretary shall collect the following fees for
8 35 copying and certifying the copy of any filed document relating
9 1 to a domestic cooperative or foreign cooperative:
9 2 a. One dollar a page for copying.
9 3 b. Five dollars for the certificate.

9 4 Sec. 9. NEW SECTION. 501A.206 FORMS.
9 5 1. The secretary may prescribe and furnish on request
9 6 forms, including but not limited to the following:
9 7 a. An application for a certificate of existence.
9 8 b. A foreign cooperative's application for a certificate
9 9 of authority to transact business in this state.
9 10 c. A foreign cooperative's application for a certificate
9 11 of withdrawal.
9 12 If the secretary so requires, use of these listed forms
9 13 prescribed by the secretary is mandatory.
9 14 2. The secretary may prescribe and furnish on request
9 15 forms, for other documents required or permitted to be filed
9 16 by this chapter but their use is not mandatory.

9 17 Sec. 10. NEW SECTION. 501A.207 APPEAL FROM SECRETARY OF
9 18 STATE'S REFUSAL TO FILE DOCUMENT.
9 19 1. If the secretary refuses to file a document delivered

9 20 to the secretary's office for filing, the domestic cooperative
9 21 or foreign cooperative may appeal the refusal, within thirty
9 22 days after the return of the document, to the district court
9 23 for the county in which the cooperative's principal office or,
9 24 if none in this state, where its registered office is or will
9 25 be located. The appeal is commenced by petitioning the court
9 26 to compel filing the document and by attaching to the petition
9 27 the document and the secretary's explanation of the refusal to
9 28 file.

9 29 2. The court may summarily order the secretary to file the
9 30 document or take other action the court considers appropriate.

9 31 3. The court's final decision may be appealed as in other
9 32 civil proceedings.

9 33 Sec. 11. NEW SECTION. 501A.208 EVIDENTIARY EFFECT OF
9 34 COPY OF FILED DOCUMENT.

9 35 A certificate attached to a copy of a document filed by the
10 1 secretary, bearing the secretary's signature, which may be in
10 2 facsimile, and the seal of the secretary, is conclusive
10 3 evidence that the original document is on file with the
10 4 secretary.

10 5 Sec. 12. NEW SECTION. 501A.209 CERTIFICATE OF EXISTENCE.

10 6 1. Anyone may apply to the secretary to furnish a
10 7 certificate of existence for a domestic cooperative or a
10 8 certificate of authorization for a foreign cooperative.

10 9 2. A certificate of existence or certificate of
10 10 authorization must set forth all of the following:

10 11 a. The domestic cooperative's name or the foreign
10 12 cooperative's name used in this state.

10 13 b. That one of the following applies:

10 14 (1) If it is a domestic cooperative, that it is duly
10 15 organized under the law of this state, the date of its
10 16 organization, and the period of its duration.

10 17 (2) If it is a foreign cooperative, that it is authorized
10 18 to transact business in this state.

10 19 c. That all fees required by this subchapter have been
10 20 paid.

10 21 d. That articles of dissolution have not been filed.

10 22 e. Other facts of record in the office of the secretary
10 23 that may be requested by the applicant.

10 24 3. Subject to any qualification stated in the certificate,
10 25 a certificate of existence or certificate of authorization
10 26 issued by the secretary may be relied upon as conclusive
10 27 evidence that the domestic cooperative or foreign cooperative
10 28 is in existence or is authorized to transact business in this
10 29 state.

10 30 Sec. 13. NEW SECTION. 501A.210 PENALTY FOR SIGNING FALSE
10 31 DOCUMENT.

10 32 1. A person commits an offense if that person signs a
10 33 document the person knows is false in any material respect
10 34 with intent that the document be delivered to the secretary
10 35 for filing.

11 1 2. An offense under this section is a serious misdemeanor
11 2 punishable by a fine of not to exceed one thousand dollars.

11 3 Sec. 14. NEW SECTION. 501A.211 SECRETARY OF STATE ==
11 4 POWERS.

11 5 The secretary has the power reasonably necessary to perform
11 6 the duties required of the secretary by this chapter.

11 7 PART B
11 8 FOREIGN COOPERATIVES

11 9 Sec. 15. NEW SECTION. 501A.221 CERTIFICATE OF AUTHORITY.

11 10 A foreign cooperative may apply for a certificate of
11 11 authority to transact business in this state by delivering an
11 12 application to the secretary for filing. An application for
11 13 registration as a foreign cooperative shall set forth all of
11 14 the following:

11 15 1. The name of the foreign cooperative and, if different,
11 16 the name under which the foreign cooperative proposes to
11 17 register and transact business in this state.

11 18 2. The state or other jurisdiction in which the foreign
11 19 cooperative was formed and the date of its formation.

11 20 3. The street address of the registered office of the
11 21 foreign cooperative in this state, the name of the registered
11 22 agent at the office, and a statement that the registered
11 23 office and registered agent comply with the requirements of
11 24 section 501A.401.

11 25 4. The address of the office required to be maintained in
11 26 the state or other jurisdiction of its formation by the law of
11 27 that state or jurisdiction or, if not so required, of the
11 28 principal office of the foreign cooperative.

11 29 5. A copy of the articles of organization filed in the
11 30 foreign cooperative's state or other jurisdiction of formation

11 31 authorizing the foreign cooperative to do business in that
11 32 state or other jurisdiction, duly authenticated by the proper
11 33 officer of the state or other jurisdiction of its formation.

11 34 Sec. 16. NEW SECTION. 501A.222 CANCELLATION OF
11 35 CERTIFICATE OF AUTHORITY.

12 1 1. A foreign cooperative may cancel its certificate of
12 2 authority by delivering to the secretary for filing a
12 3 certificate of cancellation which shall set forth all of the
12 4 following:

12 5 a. The name of the foreign cooperative and the name of the
12 6 state or other jurisdiction under whose jurisdiction the
12 7 foreign cooperative was formed.

12 8 b. That the foreign cooperative is not transacting
12 9 business in this state and that the foreign cooperative
12 10 surrenders its registration to transact business in this
12 11 state.

12 12 c. That the foreign cooperative revokes the authority of
12 13 its registered agent to accept service on its behalf and
12 14 appoints the secretary as its agent for service of process in
12 15 any proceeding based on a cause of action arising during the
12 16 time the foreign cooperative was authorized to transact
12 17 business in this state.

12 18 d. A mailing address to which the secretary may mail a
12 19 copy of any process served on the secretary under paragraph
12 20 "c".

12 21 e. A commitment to notify the secretary in the future of
12 22 any change in the mailing address of the foreign cooperative.

12 23 2. The certificate of registration shall be canceled upon
12 24 the filing of the certificate of cancellation by the
12 25 secretary.

12 26 SUBCHAPTER 3

12 27 NAMES

12 28 Sec. 17. NEW SECTION. 501A.301 NAME.

12 29 1. A cooperative name must contain the word "cooperative".

12 30 2. Except as authorized by subsections 4 and 5, a
12 31 cooperative name must be distinguishable upon the records of
12 32 the secretary from all of the following:

12 33 a. The name of a cooperative, a traditional cooperative, a
12 34 limited liability company, limited partnership, or corporation
12 35 organized under the laws of this state or registered as a
13 1 foreign cooperative, foreign limited liability company,
13 2 foreign limited partnership, or foreign corporation in this
13 3 state.

13 4 b. A name reserved in the manner provided under the laws
13 5 of this state.

13 6 c. The fictitious name adopted by a foreign cooperative,
13 7 foreign limited liability company, foreign limited
13 8 partnership, or foreign corporation authorized to transact
13 9 business in this state because its real name is unavailable.

13 10 d. The corporate name of a nonprofit corporation
13 11 incorporated or authorized to transact business in this state.

13 12 4. A cooperative may apply to the secretary for
13 13 authorization to use a name that is not distinguishable upon
13 14 the secretary's records from one or more of the names
13 15 described in subsection 3. The secretary shall authorize use
13 16 of the name applied for if one of the following conditions
13 17 applies:

13 18 a. The other entity consents to the use in writing and
13 19 submits an undertaking in a form satisfactory to the secretary
13 20 to change the entity's name to a name that is distinguishable
13 21 upon the records of the secretary from the name of the
13 22 applying cooperative.

13 23 b. The applicant delivers to the secretary a certified
13 24 copy of the final judgment of a court of competent
13 25 jurisdiction establishing the applicant's right to use the
13 26 name applied for in this state.

13 27 5. A cooperative may use the name, including the
13 28 fictitious name, of another business entity that is used in
13 29 this state if the other business entity is formed under the
13 30 laws of this state or is authorized to transact business in
13 31 this state and the proposed user cooperative meets one of the
13 32 following conditions:

13 33 a. Has merged with the other business entity.

13 34 b. Has been formed by reorganization of the other business
13 35 entity.

14 1 c. Has acquired all or substantially all of the assets,
14 2 including the name, of the other business entity.

14 3 6. This chapter does not control the use of fictitious
14 4 names; however, if a cooperative uses a fictitious name in
14 5 this state, the cooperative shall deliver to the secretary for
14 6 filing a certified copy of the resolution of the cooperative

14 7 adopting the fictitious name.

14 8 Sec. 18. NEW SECTION. 501A.302 RESERVED NAME.

14 9 1. A person may reserve the exclusive use of a cooperative
14 10 name, including a fictitious name for a foreign cooperative
14 11 whose cooperative name is not available, by delivering an
14 12 application to the secretary for filing. The application must
14 13 set forth the name and address of the applicant and the name
14 14 proposed to be reserved. If the secretary finds that the
14 15 cooperative name applied for is available, the secretary shall
14 16 reserve the name for the applicant's exclusive use for a
14 17 nonrenewable one-hundred-twenty-day period.

14 18 2. The owner of a reserved cooperative name may transfer
14 19 the reservation to another person by delivering to the
14 20 secretary a signed notice of the transfer that states the name
14 21 and address of the transferee.

14 22 SUBCHAPTER 4

14 23 REGISTERED OFFICE AND AGENT

14 24 Sec. 19. NEW SECTION. 501A.401 REGISTERED OFFICE AND
14 25 REGISTERED AGENT.

14 26 A cooperative must continuously maintain in this state each
14 27 of the following:

14 28 1. A registered office that may be the same as any of its
14 29 places of business.

14 30 2. A registered agent who may be any of the following:

14 31 a. An individual who is a resident of this state and whose
14 32 business office is identical with the registered office.

14 33 b. A cooperative, domestic corporation, domestic limited
14 34 liability company, or not-for-profit domestic corporation
14 35 whose business office is identical with the registered office.

15 1 c. A foreign cooperative, foreign corporation, foreign
15 2 limited liability company, or not-for-profit foreign
15 3 corporation authorized to transact business in this state
15 4 whose business office is identical with the registered office.

15 5 Sec. 20. NEW SECTION. 501A.402 CHANGE OF REGISTERED
15 6 OFFICE OR REGISTERED AGENT.

15 7 1. A cooperative may change its registered office or
15 8 registered agent by delivering to the secretary for filing a
15 9 statement of change that sets forth the following:

15 10 a. The name of the domestic cooperative or foreign
15 11 cooperative.

15 12 b. If the current registered office is to be changed, the
15 13 street address of the new registered office.

15 14 c. If the current registered agent is to be changed, the
15 15 name of the new registered agent and the new agent's written
15 16 consent either on the statement or attached to the statement,
15 17 to the appointment.

15 18 d. That after the change or changes are made, the street
15 19 address of its registered office and the business office of
15 20 its registered agent will be identical.

15 21 2. A statement of change shall forthwith be filed in the
15 22 office of the secretary by a cooperative whenever its
15 23 registered agent dies, resigns, or ceases to satisfy the
15 24 requirements of section 501A.401.

15 25 3. If a registered agent changes the registered agent's
15 26 business address to another place, the registered agent may
15 27 change the business address and the address of the registered
15 28 agent by filing a statement as required in subsection 1 for
15 29 each cooperative, or a single statement for all cooperatives
15 30 named in the notice, except that the statement need be signed
15 31 only by the registered agent or agents and need not be
15 32 responsive to subsection 1, paragraph "c", and must recite
15 33 that a copy of the statement has been mailed to each
15 34 cooperative named in the notice.

15 35 4. The change of address of a registered office or the
16 1 change of registered agent becomes effective upon the filing
16 2 of such statement by the secretary.

16 3 Sec. 21. NEW SECTION. 501A.403 RESIGNATION OF REGISTERED
16 4 AGENT == DISCONTINUANCE OF REGISTERED OFFICE == STATEMENT.

16 5 1. A registered agent may resign the agent's agency
16 6 appointment by signing and delivering to the secretary for
16 7 filing an original statement of resignation. The statement
16 8 may include a statement that the registered office is also
16 9 discontinued. The registered agent shall send a copy of the
16 10 statement of resignation to the registered office, if not
16 11 discontinued, and to the cooperative at its principal office.
16 12 The agent shall certify to the secretary that the copy has
16 13 been sent to the cooperative, including the date the copy was
16 14 sent.

16 15 2. The agency appointment is terminated, and the
16 16 registered office discontinued if so provided, on the date on
16 17 which the statement is filed by the secretary.

16 18 Sec. 22. NEW SECTION. 501A.404 SERVICE ON DOMESTIC
16 19 COOPERATIVES.

16 20 1. A domestic cooperative's registered agent is the
16 21 cooperative's agent for service of process, notice, or demand
16 22 required or permitted by law to be served on the cooperative.

16 23 2. If a cooperative has no registered agent, or the agent
16 24 cannot with reasonable diligence be served, the cooperative
16 25 may be served by certified or restricted certified mail
16 26 addressed to the cooperative at its principal office. Service
16 27 is perfected under this subsection at the earliest of any of
16 28 the following:

16 29 a. The date the cooperative receives the mail.

16 30 b. The date shown on the return receipt for the restricted
16 31 certified mail, if signed on behalf of the cooperative.

16 32 c. Five days after its deposit in the United States mail,
16 33 as evidenced by the postmark, if mailed postpaid and correctly
16 34 addressed.

16 35 3. This section does not prescribe the only means, or
17 1 necessarily the required means, of serving a domestic
17 2 cooperative or foreign cooperative.

17 3 Sec. 23. NEW SECTION. 501A.405 SERVICE ON FOREIGN
17 4 COOPERATIVE.

17 5 1. The registered agent of a foreign cooperative
17 6 authorized to transact business in this state is the foreign
17 7 cooperative's agent for service of process, notice, or demand
17 8 required or permitted by law to be served on the foreign
17 9 cooperative.

17 10 2. A foreign cooperative may be served by certified mail
17 11 or restricted certified mail addressed to the foreign
17 12 cooperative at its principal office shown in its application
17 13 for a certificate of authority if the foreign cooperative
17 14 meets any of the following conditions:

17 15 a. Has no registered agent or its registered agent cannot
17 16 with reasonable diligence be served.

17 17 b. Has withdrawn from transacting business in this state.

17 18 c. Has had its certificate of authority revoked.

17 19 3. Service is perfected under subsection 2 at the earliest
17 20 of any of the following:

17 21 a. The date the foreign cooperative receives the mail.

17 22 b. The date shown on the return receipt for the restricted
17 23 certified mail, if signed on behalf of the foreign
17 24 cooperative.

17 25 c. Five days after its deposit in the United States mail,
17 26 as evidenced by the postmark, if mailed postpaid and correctly
17 27 addressed.

17 28 4. A foreign cooperative may also be served in any other
17 29 manner permitted by law.

17 30 SUBCHAPTER 5
17 31 ORGANIZATION

17 32 Sec. 24. NEW SECTION. 501A.501 ORGANIZATIONAL PURPOSE.

17 33 A cooperative may be formed and organized for any lawful
17 34 purpose for the benefit of its members, including but not
17 35 limited to any of the following purposes:

18 1 1. To store or market agricultural commodities, including
18 2 crops and livestock.

18 3 2. To market, process, or otherwise change the form or
18 4 marketability of agricultural commodities. The cooperative
18 5 may provide for the manufacturing or processing of those
18 6 commodities into products.

18 7 3. To accomplish other purposes that are necessary or
18 8 convenient to facilitate the production or marketing of
18 9 agricultural commodities or agricultural products by patron
18 10 members, other patrons, and other persons, and for other
18 11 purposes that are related to the business of the cooperative.

18 12 4. To provide products, supplies, and services to its
18 13 patron members, other patrons, and others.

18 14 5. For any other purpose that a cooperative is authorized
18 15 by law under chapter 499 or 501.

18 16 Sec. 25. NEW SECTION. 501A.502 ORGANIZERS.

18 17 1. QUALIFICATION. A cooperative may be organized by one
18 18 or more organizers who shall be adult natural persons, and who
18 19 may act for themselves as individuals or as the agents of
18 20 other entities. The organizers forming the cooperative need
18 21 not be members of the cooperative.

18 22 2. ROLE OF ORGANIZERS. If the first board of directors is
18 23 not named in the articles of organization, the organizers may
18 24 elect the first board or may act as directors with all of the
18 25 powers, rights, duties, and liabilities of directors, until
18 26 directors are elected or until a contribution is accepted,
18 27 whichever occurs first.

18 28 3. MEETING. After the filing of articles of organization,

18 29 the organizers or the directors named in the articles of
18 30 organization shall either hold an organizational meeting at
18 31 the call of a majority of the organizers or of the directors
18 32 named in the articles, or take written action for the purposes
18 33 of transacting business and taking actions necessary or
18 34 appropriate to complete the organization of the cooperative,
18 35 including but not limited to all of the following:

- 19 1 a. Amending the articles.
- 19 2 b. Electing directors.
- 19 3 c. Adopting bylaws.
- 19 4 d. Authorizing or ratifying the purchase, lease, or other
19 5 acquisition of suitable space, furniture, furnishings,
19 6 supplies, or materials.
- 19 7 e. Adopting a fiscal year.
- 19 8 f. Contracting to receive and accept contributions.
- 19 9 g. Making appropriate tax elections.

19 10 If a meeting is held, the person or persons calling the
19 11 meeting shall give at least three days' notice of the meeting
19 12 to each organizer or director named, stating the date, time,
19 13 and place of the meeting. Organizers and directors may waive
19 14 notice of an organizational meeting in the same manner that a
19 15 director may waive notice of meetings of the board.

19 16 Sec. 26. NEW SECTION. 501A.503 ARTICLES OF ORGANIZATION.

19 17 1. a. The articles of organization for the cooperative
19 18 shall include all of the following:

- 19 19 (1) The name of the cooperative.
- 19 20 (2) The purpose of the cooperative.
- 19 21 (3) The name and address of each organizer.
- 19 22 (4) The period of duration for the cooperative, if the
19 23 duration is not to be perpetual.

19 24 b. The articles may contain any other lawful provision.

19 25 2. EFFECT OF FILING. When the articles of organization or
19 26 an application for a certificate of authority has been filed
19 27 pursuant to subchapter 2, the designation of the cooperative's
19 28 registered office and agent under subchapter 4 has been filed
19 29 with the secretary and the required fee has been paid to the
19 30 secretary under section 501A.205, all of the following shall
19 31 be presumed:

- 19 32 a. All conditions precedent that are required to be
19 33 performed by the organizers have been complied with.
- 19 34 b. The organization of the cooperative has been organized
19 35 under the laws of this state as a separate legal entity.
- 20 1 c. The secretary shall issue a certificate of organization
20 2 to the cooperative.

20 3 Sec. 27. NEW SECTION. 501A.504 AMENDMENT OF ARTICLES.

20 4 1. a. The articles of organization of a cooperative shall
20 5 be amended only as follows:

- 20 6 (1) The board, by majority vote, must pass a resolution
20 7 stating the text of the proposed amendment. The text of the
20 8 proposed amendment and an attached mail or alternative ballot,
20 9 if the board has provided for a mail or alternative ballot in
20 10 the resolution or alternative method approved by the board and
20 11 stated in the resolution, shall be mailed or otherwise
20 12 distributed with a regular or special meeting notice to each
20 13 member. The notice shall designate the time and place of the
20 14 meeting for the proposed amendment to be considered and voted
20 15 on.

20 16 (2) If a quorum of the members is registered as being
20 17 present or represented by alternative vote at the meeting, the
20 18 proposed amendment is adopted if any of the following occurs:

- 20 19 (a) If approved by a majority of the votes cast.
- 20 20 (b) For a cooperative with articles or bylaws requiring
20 21 more than majority approval or other conditions for approval,
20 22 the amendment is approved by a proportion of the votes cast or
20 23 a number of total members as required by the articles or
20 24 bylaws and the conditions for approval in the articles or
20 25 bylaws have been satisfied.

20 26 b. After an amendment has been adopted by the members, the
20 27 amendment must be signed by the chairperson, vice chairperson,
20 28 records officer, or assistant records officer and a copy of
20 29 the amendment filed in the office of the secretary.

20 30 2. CERTIFIED STATEMENT.

20 31 a. The board shall prepare a certified statement affirming
20 32 that all of the following are true:

- 20 33 (1) The vote and meeting of the board adopting a
20 34 resolution of the proposed amendment.
- 20 35 (2) The notice given to members of the meeting at which
21 1 the amendment was adopted.
- 21 2 (3) The quorum registered at the meeting.
- 21 3 (4) The vote cast adopting the amendment.
- 21 4 b. The certified statement shall be signed by the

21 5 chairperson, vice chairperson, records officer, or financial
21 6 officer and filed with the records of the cooperative.

21 7 3. AMENDMENT BY DIRECTORS. A majority of directors may
21 8 amend the articles if the cooperative does not have any
21 9 members with voting rights.

21 10 4. FILING. An amendment of the articles shall be filed
21 11 with the secretary as required in section 501A.503. The
21 12 amendment is effective as provided in subchapter 2.

21 13 Sec. 28. NEW SECTION. 501A.505 EXISTENCE.

21 14 1. COMMENCEMENT. The existence of a cooperative shall
21 15 commence on or after the filing of articles of organization as
21 16 provided in section 501A.503.

21 17 2. DURATION. A cooperative shall have a perpetual
21 18 duration unless the cooperative provides for a limited period
21 19 of duration in the articles.

21 20 Sec. 29. NEW SECTION. 501A.506 BYLAWS.

21 21 1. REQUIRED. A cooperative shall have bylaws governing
21 22 the cooperative's business affairs, structure, the
21 23 qualifications, classification, rights and obligations of
21 24 members, and the classifications, allocations, and
21 25 distributions of membership interests, which are not otherwise
21 26 provided in the articles or by this chapter.

21 27 2. CONTENTS.

21 28 a. If not stated in the articles, a cooperative's bylaws
21 29 must state all of the following:

21 30 (1) The purpose of the cooperative.

21 31 (2) The capital structure of the cooperative to the extent
21 32 not stated in the articles, including a statement of the
21 33 classes and relative rights, preferences, and restrictions
21 34 granted to or imposed upon each class of member interests, the
21 35 rights to share in profits or distributions of the
22 1 cooperative, and the authority to issue membership interests,
22 2 which may be designated to be determined by the board.

22 3 (3) A provision designating the voting and governance
22 4 rights, to the extent not stated in the articles, including
22 5 which membership interests have voting power and any
22 6 limitations or restrictions on the voting power, which shall
22 7 be in accordance with the provisions of this chapter.

22 8 (4) A statement that patron membership interests with
22 9 voting power shall be restricted to one vote for each member
22 10 regardless of the amount of patron membership interests held
22 11 in the affairs of the cooperative or a statement describing
22 12 the allocation of voting power allocated as prescribed in this
22 13 chapter.

22 14 (5) A statement that membership interests held by a member
22 15 are transferable only with the approval of the board or as
22 16 provided in the bylaws.

22 17 (6) If nonpatron membership interests are authorized, all
22 18 of the following:

22 19 (a) A statement as to how profits and losses will be
22 20 allocated and cash will be distributed between patron
22 21 membership interests collectively and nonpatron membership
22 22 interests collectively to the extent not stated in the
22 23 articles.

22 24 (b) A statement that net income allocated to a patron
22 25 membership interest as determined by the board in excess of
22 26 dividends and additions to reserves shall be distributed on
22 27 the basis of patronage.

22 28 (c) A statement that the records of the cooperative shall
22 29 include patron membership interests and, if authorized,
22 30 nonpatron membership interests, which may be further described
22 31 in the bylaws of any classes and in the reserves.

22 32 b. The bylaws may contain any provision relating to the
22 33 management or regulation of the affairs of the cooperative
22 34 that are not inconsistent with law or the articles, and shall
22 35 include all of the following:

23 1 (1) The number of directors and the qualifications, manner
23 2 of election, powers, duties, and compensation, if any, of
23 3 directors.

23 4 (2) The qualifications of members and any limitations on
23 5 their number.

23 6 (3) The manner of admission, withdrawal, suspension, and
23 7 expulsion of members.

23 8 (4) Generally, the governance rights, financial rights,
23 9 assignability of governance and financial rights, and other
23 10 rights, privileges, and obligations of members and their
23 11 membership interests, which may be further described in member
23 12 control agreements.

23 13 (5) Any provisions required by the articles to be in the
23 14 bylaws.

23 15 3. ADOPTION.

23 16 a. Bylaws shall be adopted before any distributions to
23 17 members, but if the articles or bylaws provide that rights of
23 18 contributors to a class of membership interest will be
23 19 determined in the bylaws, the bylaws must be adopted before
23 20 the acceptance of any contributions to that class.

23 21 b. Subject to subsections 4, 5, and 6, the bylaws of a
23 22 cooperative may be adopted or amended by the directors, or the
23 23 members may adopt or amend bylaws at a regular or special
23 24 members' meeting if all of the following apply:

23 25 (1) The notice of the regular or special meeting contains
23 26 a statement that the bylaws or restated bylaws will be voted
23 27 upon and copies are included with the notice, or copies are
23 28 available upon request from the cooperative and a summary
23 29 statement of the proposed bylaws or amendment is included with
23 30 the notice.

23 31 (2) A quorum is registered as being present or represented
23 32 by mail or alternative voting method if the mail or
23 33 alternative voting method is authorized by the board.

23 34 (3) The bylaws or amendment is approved by a majority vote
23 35 cast, or for a cooperative with articles or bylaws requiring
24 1 more than majority approval or other conditions for approval,
24 2 the bylaws or amendment is approved by a proportion of the
24 3 vote cast or a number of the total members as required by the
24 4 articles or bylaws and the conditions for approval in the
24 5 articles or bylaws have been satisfied.

24 6 c. Until the next annual or special members' meeting, the
24 7 majority of directors may adopt and amend bylaws for the
24 8 cooperative that are consistent with subsections 4, 5, and 6,
24 9 which may be further amended or repealed by the members at an
24 10 annual or special members' meeting.

24 11 4. AMENDMENT OF BYLAWS BY BOARD OR MEMBERS.

24 12 a. The board may amend the bylaws at any time to add,
24 13 change, or delete a provision, unless any of the following
24 14 applies:

24 15 (1) This chapter, the articles, or the bylaws reserve the
24 16 power exclusively to the members in whole or in part.

24 17 (2) A particular bylaw expressly prohibits the board from
24 18 doing so.

24 19 b. Any amendment of the bylaws adopted by the board must
24 20 be distributed to the members no later than ten days after
24 21 adoption and the notice of the annual meeting of the members
24 22 must contain a notice and summary or the actual amendments to
24 23 the bylaws adopted by the board.

24 24 c. The members may amend the bylaws even though the bylaws
24 25 may also be amended by the board.

24 26 5. BYLAW CHANGING QUORUM OR VOTING REQUIREMENT FOR 24 27 MEMBERS.

24 28 a. (1) The members may amend the bylaws to fix a greater
24 29 quorum or voting requirement for members, or voting groups of
24 30 members, than is required under this chapter.

24 31 (2) An amendment to the bylaws to add, change, or delete a
24 32 greater quorum or voting requirement for members shall meet
24 33 the same quorum requirement and be adopted by the same vote
24 34 and voting groups required to take action under the quorum and
24 35 voting requirements then in effect or proposed to be adopted,
25 1 whichever is greater.

25 2 b. A bylaw that fixes a greater quorum or voting
25 3 requirement for members under paragraph "a" shall not be
25 4 adopted and shall not be amended by the board.

25 5 6. BYLAW CHANGING QUORUM OR VOTING REQUIREMENT FOR 25 6 DIRECTORS.

25 7 a. A bylaw that fixes a greater quorum or voting
25 8 requirement for the board may be amended by any of the
25 9 following methods:

25 10 (1) If adopted by the members, only by the members.

25 11 (2) If adopted by the board, either by the members or by
25 12 the board.

25 13 b. A bylaw adopted or amended by the members that fixes a
25 14 greater quorum or voting requirement for the board may provide
25 15 that the bylaw may be amended only by a specified vote of
25 16 either the members or the board, but if the bylaw is to be
25 17 amended by a specified vote of the members, the bylaw must be
25 18 adopted by the same specified vote of the members.

25 19 c. Action by the board under paragraph "a", subparagraph
25 20 (2), to adopt or amend a bylaw that changes the quorum or
25 21 voting requirement for the board shall meet the same quorum
25 22 requirement and be adopted by the same vote required to take
25 23 action under the quorum and voting requirement then in effect
25 24 or proposed to be adopted, whichever is greater.

25 25 7. EMERGENCY BYLAWS.

25 26 a. Unless otherwise provided in the articles or bylaws,

25 27 the board may adopt bylaws to be effective only in an
25 28 emergency as defined in paragraph "d". The emergency bylaws,
25 29 which are subject to amendment or repeal by the members, may
25 30 include all provisions necessary for managing the cooperative
25 31 during the emergency, including any of the following:
25 32 (1) Procedures for calling a meeting of the board.
25 33 (2) Quorum requirements for the meeting.
25 34 (3) Designation of additional or substitute directors.
25 35 b. All provisions of the regular bylaws consistent with
26 1 the emergency bylaws shall remain in effect during the
26 2 emergency. The emergency bylaws shall not be effective after
26 3 the emergency ends.
26 4 c. All of the following shall apply to action taken in
26 5 good faith in accordance with the emergency bylaws:
26 6 (1) The action binds the cooperative.
26 7 (2) The action shall not be the basis for imposition of
26 8 liability on any director, officer, employee, or agent of the
26 9 cooperative on the grounds that the action was not authorized
26 10 cooperative action.
26 11 d. An emergency exists for the purposes of this section,
26 12 if a quorum of the directors cannot readily be obtained
26 13 because of some catastrophic event.

26 14 Sec. 30. NEW SECTION. 501A.507 COOPERATIVE RECORDS.

26 15 1. PERMANENT RECORDS REQUIRED TO BE KEPT. A cooperative
26 16 shall keep as permanent records minutes of all meetings of its
26 17 members and of the board, a record of all actions taken by the
26 18 members or the board without a meeting by a written unanimous
26 19 consent in lieu of a meeting, and a record of all waivers of
26 20 notices of meetings of the members and of the board.

26 21 2. ACCOUNTING RECORDS. A cooperative shall maintain
26 22 appropriate accounting records.

26 23 3. FORMAT. A cooperative shall maintain its records in
26 24 written form or in another form capable of conversion into
26 25 written form within a reasonable time.

26 26 4. COPIES. A cooperative shall keep a copy of each of the
26 27 following records at its principal office:

26 28 a. Its articles and other governing instruments.

26 29 b. Its bylaws or other similar instruments.

26 30 c. A record of the names and addresses of its members, in
26 31 a form that allows preparation of an alphabetical list of
26 32 members with each member's address.

26 33 d. The minutes of members' meetings, and records of all
26 34 actions taken by members without a meeting by unanimous
26 35 written consent in lieu of a meeting, for the past three
27 1 years.

27 2 e. All written communications within the past three years
27 3 to members as a group or to any class of members as a group.

27 4 f. A list of the names and business addresses of its
27 5 current board members and officers.

27 6 g. All financial statements prepared for periods ending
27 7 during the last fiscal year.

27 8 5. Except as otherwise limited by this chapter, the board
27 9 of a cooperative shall have discretion to determine what
27 10 records are appropriate for the purposes of the cooperative,
27 11 the length of time records are to be retained, and policies
27 12 relating to the confidentiality, disclosure, inspection, and
27 13 copying of the records of the cooperative.

27 14 SUBCHAPTER 6

27 15 POWERS AND AUTHORITIES

27 16 Sec. 31. NEW SECTION. 501A.601 POWERS.

27 17 1. GENERALLY.

27 18 a. In addition to other powers, a cooperative as an agent
27 19 or otherwise may do any of the following:

27 20 (1) Perform every act necessary or proper to the conduct
27 21 of the cooperative's business or the accomplishment of the
27 22 purposes of the cooperative.

27 23 (2) Enjoy other rights, powers, or privileges granted by
27 24 the laws of this state to other cooperatives, except those
27 25 that are inconsistent with the express provisions of this
27 26 chapter.

27 27 (3) Have the powers provided in section 501A.501 and in
27 28 this section.

27 29 b. This section does not give a cooperative the power or
27 30 authority to exercise the powers of a credit union under
27 31 chapter 533, a bank under chapter 524, or a savings and loan
27 32 association under chapter 534.

27 33 2. DEALING IN PRODUCTS. A cooperative may buy, sell, or
27 34 deal in its own commodities or products or those of another
27 35 person, including but not limited to those of its members,
28 1 patrons, or nonmembers; another cooperative organized under
28 2 this chapter or another cooperative association organized

28 3 under other law including a traditional cooperative, or
28 4 members or patrons of such cooperatives or cooperative
28 5 associations. A cooperative may negotiate the price at which
28 6 its commodities products may be sold.

28 7 3. CONTRACTS WITH MEMBERS. A cooperative may enter into
28 8 or become a party to a contract or agreement for the
28 9 cooperative or for the cooperative's members or patrons or
28 10 between the cooperative and its members or patrons.

28 11 4. HOLDING AND TRANSACTIONS OF REAL AND PERSONAL PROPERTY.

28 12 a. A cooperative may purchase and hold, lease, mortgage,
28 13 encumber, sell, exchange, and convey as a legal entity real,
28 14 personal, and intellectual property, including real estate,
28 15 buildings, personal property, patents, and copyrights as the
28 16 business of the cooperative may require, including but not
28 17 limited to the sale or other disposition of assets required by
28 18 the business of the cooperative as determined by the board.

28 19 b. A cooperative may take, receive, and hold real or
28 20 personal property, including the principal and interest of
28 21 money or other negotiable instruments and rights in a
28 22 contract, in trust for any purpose not inconsistent with the
28 23 purposes of the cooperative in its articles or bylaws. The
28 24 cooperative may exercise fiduciary powers in relation to
28 25 taking, receiving, and holding the real or personal property.

28 26 5. BUILDINGS. A cooperative may erect buildings or other
28 27 structures or facilities on the cooperative's owned or leased
28 28 property or on a right-of-way legally acquired by the
28 29 cooperative.

28 30 6. DEBT INSTRUMENTS. A cooperative may issue bonds,
28 31 debentures, or other evidence of indebtedness and may borrow
28 32 money, may secure any of its obligations by mortgage of or
28 33 creation of a security interest in or other encumbrances or
28 34 assignment of all or any of its property, franchises, or
28 35 income, and may issue guarantees for any legal purpose. The
29 1 cooperative may form special purpose business entities to
29 2 secure assets of the cooperative.

29 3 7. ADVANCES TO PATRONS. A cooperative may make advances
29 4 to its members or patrons on products delivered by the members
29 5 or patrons to the cooperative.

29 6 8. DEPOSITS. A cooperative may accept donations or
29 7 deposits of money or real or personal property from other
29 8 cooperatives or associations from which the cooperative is
29 9 constituted.

29 10 9. LENDING, BORROWING, AND INVESTING. A cooperative may
29 11 loan or borrow money to or from members, cooperatives, or
29 12 associations from which the cooperative is constituted with
29 13 security that the cooperative considers sufficient. A
29 14 cooperative may invest and reinvest its funds.

29 15 10. PENSIONS AND BENEFITS. A cooperative may pay
29 16 pensions, retirement allowances, and compensation for past
29 17 services to and for the benefit of, and establish, maintain,
29 18 continue, and carry out, wholly or partially at the expense of
29 19 the cooperative, employee, or incentive benefit plans, trusts,
29 20 and provisions to or for the benefit of any or all of its and
29 21 its related organizations' officers, managers, directors,
29 22 governors, employees, and agents; and in the case of a related
29 23 organization that is a cooperative, members who provide
29 24 services to the cooperative, and any of their families,
29 25 dependents, and beneficiaries. A cooperative may indemnify
29 26 and purchase and maintain insurance for and on behalf of a
29 27 fiduciary of any of these employee benefit and incentive
29 28 plans, trusts, and provisions.

29 29 11. INSURANCE. A cooperative may provide for its benefit
29 30 life insurance and other insurance with respect to the
29 31 services of any or all of its members, managers, directors,
29 32 employees, and agents, or on the life of a member for the
29 33 purpose of acquiring at the death of the member any or all
29 34 membership interests in the cooperative owned by the member.

29 35 12. OWNERSHIP INTERESTS IN OTHER ENTITIES.

30 1 a. A cooperative may purchase, acquire, hold, or dispose
30 2 of the ownership interests of another business entity or
30 3 organize business entities whether organized under the laws of
30 4 this state or another state or the United States and assume
30 5 all rights, interests, privileges, responsibilities, and
30 6 obligations arising out of the ownership interests, including
30 7 a business entity organized as any of the following:

30 8 (1) As a federation of associations.

30 9 (2) For the purpose of forming a district, state, or
30 10 national marketing sales or service agency.

30 11 (3) For the purpose of acquiring marketing facilities at
30 12 terminal or other markets in this state or other states.

30 13 b. A cooperative may purchase, own, and hold ownership

30 14 interests, including stock and other equity interests,
30 15 memberships, interests in nonstock capital, and evidences of
30 16 indebtedness of any domestic business entity or foreign
30 17 business entity.

30 18 13. FIDUCIARY POWERS. A cooperative may exercise any and
30 19 all fiduciary powers in relations with members, cooperatives,
30 20 or business entities from which the cooperative is
30 21 constituted.

30 22 Sec. 32. NEW SECTION. 501A.602 EMERGENCY POWERS.

30 23 1. In anticipation of or during an emergency as defined in
30 24 this section, the board may do any of the following:

30 25 a. Modify lines of succession to accommodate the
30 26 incapacity of any director, officer, employee, or agent.

30 27 b. Relocate the principal office, designate alternative
30 28 principal offices or regional offices, or authorize the
30 29 officers to do so.

30 30 2. During an emergency, unless emergency bylaws provide
30 31 otherwise, all of the following apply:

30 32 a. A notice of a meeting of the board need be given only
30 33 to those directors to whom it is practicable to reach and may
30 34 be given in any practicable manner, including by publication
30 35 or radio.

31 1 b. One or more officers of the cooperative present at a
31 2 meeting of the board may be deemed to be directors for the
31 3 meeting, in order of rank and within the same rank in order of
31 4 seniority, as necessary to achieve a quorum.

31 5 3. All of the following apply to cooperative action taken
31 6 in good faith during an emergency under this section to
31 7 further the ordinary business affairs of the cooperative:

31 8 a. The action binds the cooperative.

31 9 b. The action shall not be the basis for the imposition of
31 10 liability on any director, officer, employee, or agent of the
31 11 cooperative on the grounds that the action was not an
31 12 authorized cooperative action.

31 13 4. An emergency exists for purposes of this section if a
31 14 quorum of the directors cannot readily be obtained because of
31 15 a catastrophic event.

31 16 Sec. 33. NEW SECTION. 501A.603 AGRICULTURAL COMMODITIES
31 17 AND PRODUCTS == MARKETING CONTRACTS.

31 18 1. AUTHORITY. A cooperative and its patron member or
31 19 patron may make and execute a marketing contract, requiring
31 20 the patron member or patron to sell a specified portion of the
31 21 patron member's or patron's agricultural commodity or product
31 22 or specified commodity or product produced from a certain area
31 23 exclusively to or through the cooperative or facility
31 24 established by the cooperative.

31 25 2. TITLE TO COMMODITIES OR PRODUCTS. If a sale is
31 26 contracted to the cooperative, the sale shall transfer title
31 27 to the commodity or product absolutely, except for a recorded
31 28 lien or security interest against the agricultural commodity
31 29 or product of the patron member or patron as provided in
31 30 article 9 of chapter 554, and provisions in Title XIV,
31 31 subtitle 3, governing agricultural liens, and liens granted
31 32 against farm products under federal law, to the cooperative on
31 33 delivery of the commodity or product or at another specified
31 34 time if expressly provided in the contract. The contract may
31 35 allow the cooperative to sell or resell the commodity or
32 1 product of its patron member or patron with or without taking
32 2 title to the commodity or product, and pay the resale price to
32 3 the patron member or patron, after deducting all necessary
32 4 selling, overhead, and other costs and expenses, including
32 5 other proper reserves and interest.

32 6 3. TERM OF CONTRACT. A single term of a marketing
32 7 contract shall not exceed ten years, but a marketing contract
32 8 may be made self-renewing for periods not exceeding five years
32 9 each, subject to the right of either party to terminate by
32 10 giving written notice of the termination during a period of
32 11 the current term as specified in the contract.

32 12 4. DAMAGES FOR BREACH OF CONTRACT. The cooperative's
32 13 bylaws or marketing contract in which the cooperative is a
32 14 party may set a specific sum as liquidated damages to be paid
32 15 by the patron member or patron to the cooperative for breach
32 16 of any provision of the marketing contract regarding the sale
32 17 or delivery or withholding of a commodity or product and may
32 18 provide that the patron member or patron shall pay the costs,
32 19 premiums for bonds, expenses, and fees if an action is brought
32 20 on the contract by the cooperative. The remedies for breach
32 21 of contract are valid and enforceable in the courts of this
32 22 state. The provisions shall be enforced as liquidated damages
32 23 and are not considered a penalty.

32 24 5. INJUNCTION AGAINST BREACH OF CONTRACT. If there is a

32 25 breach or threatened breach of a marketing contract by a
32 26 patron member or patron, the cooperative is entitled to an
32 27 injunction to prevent the further breach of the contract and
32 28 to a decree of specific performance of the contract. Pending
32 29 the adjudication of the action after filing a complaint
32 30 showing the breach or threatened breach and filing a
32 31 sufficient bond, the cooperative is entitled to a temporary
32 32 restraining order and preliminary injunction against the
32 33 patron member or patron.

32 34 6. PENALTIES FOR CONTRACT INTERFERENCE AND FALSE REPORTS.

32 35 A person who knowingly induces or attempts to induce any
33 1 member or patron of a cooperative organized under this chapter
33 2 to breach a marketing contract with the cooperative, or who
33 3 maliciously and knowingly spreads false reports about the
33 4 cooperative's finances or management, is guilty of a simple
33 5 misdemeanor.

33 6 7. CIVIL DAMAGES FOR CONTRACT INTERFERENCE AND FALSE
33 7 REPORTS. In addition to the penalty provided in subsection 6,
33 8 the person may be liable to the cooperative for civil damages
33 9 for any violation of that subsection. Each violation shall
33 10 constitute a separate offense.

33 11 SUBCHAPTER 7

33 12 DIRECTORS AND OFFICERS

33 13 Sec. 34. NEW SECTION. 501A.701 BOARD GOVERNS
33 14 COOPERATIVE.

33 15 A cooperative shall be governed by its board of directors,
33 16 which shall take all action for and on behalf of the
33 17 cooperative, except those actions reserved or granted to
33 18 members. Board action shall be by the affirmative vote of a
33 19 majority of the directors voting at a duly called meeting
33 20 unless a greater majority is required by the articles or
33 21 bylaws. A director individually or collectively with other
33 22 directors does not have authority to act for or on behalf of
33 23 the cooperative unless authorized by the board. A director
33 24 may advocate interests of members or member groups to the
33 25 board, but the fiduciary duty of each director is to represent
33 26 the best interests of the cooperative and all members
33 27 collectively.

33 28 Sec. 35. NEW SECTION. 501A.702 NUMBER OF DIRECTORS.

33 29 The board shall not have less than five directors, except
33 30 that a cooperative with fifty or fewer members may have three
33 31 or more directors as prescribed in the cooperative's articles
33 32 or bylaws.

33 33 Sec. 36. NEW SECTION. 501A.703 ELECTION OF DIRECTORS.

33 34 1. FIRST BOARD. The organizers shall elect and obtain the
33 35 acknowledgment of the first board to serve until directors are
34 1 elected by members. Until election by members, the first
34 2 board shall appoint directors to fill any vacancies.

34 3 2. GENERALLY.

34 4 a. Directors shall be elected for the term, at the time,
34 5 and in the manner provided in this section and the bylaws.

34 6 b. A majority of the directors shall be members and a
34 7 majority of the directors shall be elected exclusively by the
34 8 members holding patron membership interests unless otherwise
34 9 provided in the articles or bylaws.

34 10 c. The voting authority of the directors may be allocated
34 11 according to equity classifications or allocation units of the
34 12 cooperative. If the cooperative authorizes nonpatron
34 13 membership interests, one of the following must apply:

34 14 (1) At least one-half of the voting power on matters of
34 15 the cooperative that are not specific to equity
34 16 classifications or allocation units shall be allocated to the
34 17 directors elected by members holding patron membership
34 18 interests.

34 19 (2) The directors elected by the members holding patron
34 20 membership interests shall have at least an equal voting power
34 21 or shall not have a minority voting power on general matters
34 22 of the cooperative that are not specific to equity
34 23 classifications or allocation units.

34 24 d. A director holds office for the term the director was
34 25 elected and until a successor is elected and has qualified, or
34 26 until the earlier death, resignation, removal, or
34 27 disqualification of the director.

34 28 e. The expiration of a director's term with or without
34 29 election of a qualified successor does not make the prior or
34 30 subsequent acts of the director or the board void or voidable.

34 31 f. Subject to any limitation in the articles or bylaws,
34 32 the board may set the compensation of directors.

34 33 g. Directors may be divided into or designated and elected
34 34 by class or other distinction as provided in the articles or
34 35 bylaws.

35 1 h. A director may resign by giving written notice to the
35 2 chairperson of the board or the board. The resignation is
35 3 effective without acceptance when the notice is given to the
35 4 chairperson of the board or the board unless a later effective
35 5 time is specified in the notice.

35 6 3. ELECTION AT REGULAR MEETING. Directors shall be
35 7 elected at the regular members' meeting for the terms of
35 8 office prescribed in the bylaws. Except for directors elected
35 9 at district meetings or special meetings to fill a vacancy,
35 10 all directors shall be elected at the regular members'
35 11 meeting. There shall be no cumulative voting for directors
35 12 except as provided in this chapter and the articles or bylaws.

35 13 4. DISTRICT OR LOCAL UNIT ELECTION OF DIRECTORS. For a
35 14 cooperative with districts or other units, members may elect
35 15 directors on a district or unit basis if provided in the
35 16 bylaws. The directors may be nominated or elected at district
35 17 meetings if provided in the bylaws. Directors who are
35 18 nominated at district meetings shall be elected at the annual
35 19 regular members' meeting by vote of the entire membership,
35 20 unless the bylaws provide that directors who are nominated at
35 21 district meetings are to be elected by vote of the members of
35 22 the district, at the district meeting, or the annual regular
35 23 members' meeting.

35 24 5. VOTE BY MAIL OR ALTERNATIVE BALLOT. The following
35 25 shall apply to voting by mail or alternative ballot voting:

35 26 a. A member shall not vote for a director other than by
35 27 being present at a meeting or by mail ballot or alternative
35 28 ballot authorized by the board.

35 29 b. The ballot shall be in a form prescribed by the board.

35 30 c. The member shall mark the ballot for the candidate
35 31 chosen and mail the ballot to the cooperative in a sealed
35 32 plain envelope inside another envelope bearing the member's
35 33 name, or shall vote designating the candidate chosen by
35 34 alternative ballot in the manner prescribed by the board.

35 35 d. If the ballot of the member is received by the
36 1 cooperative on or before the date of the regular members'
36 2 meeting or as otherwise prescribed for alternative ballots,
36 3 the ballot shall be accepted and counted as the vote of the
36 4 absent member.

36 5 6. BUSINESS ENTITY MEMBERS MAY NOMINATE PERSONS FOR
36 6 DIRECTOR. If a member of a cooperative is not a natural
36 7 person, and the bylaws do not provide otherwise, the member
36 8 may appoint or elect one or more natural persons to be
36 9 eligible for election as a director.

36 10 7. TERM. A director holds office for the term the
36 11 director was elected and until a successor is elected and has
36 12 qualified, or the earlier death, resignation, removal, or
36 13 disqualification of the director.

36 14 8. ACTS NOT VOID OR VOIDABLE. The expiration of a
36 15 director's term with or without the election of a qualified
36 16 successor does not make prior or subsequent acts of the
36 17 director void or voidable.

36 18 9. COMPENSATION. Subject to any limitation in the
36 19 articles or bylaws, the board may fix the compensation of the
36 20 directors.

36 21 10. CLASSIFICATION. Directors may be divided into classes
36 22 as provided in the articles or bylaws.

36 23 Sec. 37. NEW SECTION. 501A.704 FILLING VACANCIES.

36 24 1. PATRON DIRECTORS. If a patron member director's
36 25 position becomes vacant or a new director position is created
36 26 for a director that was or is to be elected by patron members,
36 27 the board, in consultation with the directors elected by
36 28 patron members, shall appoint a patron member of the
36 29 cooperative to fill the director's position until the next
36 30 regular or special members' meeting. If there are no
36 31 directors elected by patron members on the board at the time
36 32 of the vacancy, a special patron members' meeting shall be
36 33 called to fill the patron member director vacancy.

36 34 2. NONPATRON DIRECTORS. If the vacating director was not
36 35 elected by the patron members or a new director position is
37 1 created, unless otherwise provided in the articles or bylaws,
37 2 the board shall appoint a director to fill the vacant position
37 3 by majority vote of the remaining or then serving directors
37 4 even though less than a quorum. At the next regular or
37 5 special members' meeting, the members or patron members shall
37 6 elect a director to fill the unexpired term of the vacant
37 7 director's position.

37 8 Sec. 38. NEW SECTION. 501A.705 REMOVAL OF DIRECTORS.

37 9 1. MODIFICATION. The provisions of this section apply
37 10 unless modified by the articles or the bylaws.

37 11 2. REMOVAL OF DIRECTORS. A director may be removed at any

37 12 time, with or without cause, if all of the following apply:

37 13 a. The director was named by the board to fill a vacancy.

37 14 b. The members have not elected directors in the interval
37 15 between the time of the appointment to fill a vacancy and the
37 16 time of the removal.

37 17 c. A majority of the remaining directors present
37 18 affirmatively vote to remove the director.

37 19 3. REMOVAL BY MEMBERS. Any one or all of the directors
37 20 may be removed at any time, with or without cause, by the
37 21 affirmative vote of the holders of a majority of the voting
37 22 power of membership interests entitled to vote at an election
37 23 of directors, provided that if a director has been elected
37 24 solely by the patron members or the holders of a class or
37 25 series of membership interests as stated in the articles or
37 26 bylaws, then that director may be removed only by the
37 27 affirmative vote of the holders of a majority of the voting
37 28 power of the patron members for a director elected by the
37 29 patron members or of all membership interests of that class or
37 30 series entitled to vote at an election of that director.

37 31 4. ELECTION OF REPLACEMENTS. New directors may be elected
37 32 at a meeting at which directors are removed.

37 33 Sec. 39. NEW SECTION. 501A.706 BOARD OF DIRECTORS'
37 34 MEETINGS.

37 35 1. TIME AND PLACE. Meetings of the board may be held from
38 1 time to time as provided in the articles or bylaws at any
38 2 place within or without the state that the board may select or
38 3 by any means described in subsection 2. If the board fails to
38 4 select a place for a meeting, the meeting must be held at the
38 5 principal executive office, unless the articles or bylaws
38 6 provide otherwise.

38 7 2. ELECTRONIC COMMUNICATIONS.

38 8 a. A conference among directors by any means of
38 9 communication through which the directors may simultaneously
38 10 hear each other during the conference constitutes a board
38 11 meeting, if the same notice is given of the conference as
38 12 would be required by subsection 3 for a meeting, and if the
38 13 number of directors participating in the conference would be
38 14 sufficient to constitute a quorum at a meeting. Participation
38 15 in a meeting by that means constitutes presence in person at
38 16 the meeting.

38 17 b. A director may participate in a board meeting not
38 18 described in paragraph "a" by any means of communication
38 19 through which the director, other directors so participating,
38 20 and all directors physically present at the meeting may
38 21 simultaneously hear each other during the meeting.
38 22 Participation in a meeting by that means constitutes presence
38 23 in person at the meeting.

38 24 3. CALLING MEETINGS AND NOTICE. Unless the articles or
38 25 bylaws provide for a different time period, a director may
38 26 call a board meeting by giving at least ten days' notice or,
38 27 in the case of organizational meetings, at least three days'
38 28 notice to all directors of the date, time, and place of the
38 29 meeting. The notice need not state the purpose of the meeting
38 30 unless this chapter, the articles, or the bylaws require it.

38 31 4. PREVIOUSLY SCHEDULED MEETINGS. If the day or date,
38 32 time, and place of a board meeting have been provided in the
38 33 articles or bylaws, or announced at a previous meeting of the
38 34 board, no notice is required. Notice of an adjourned meeting
38 35 need not be given other than by announcement at the meeting at
39 1 which adjournment is taken.

39 2 5. WAIVER OF NOTICE. A director may waive notice of a
39 3 meeting of the board. A waiver of notice by a director
39 4 entitled to notice is effective whether given before, at, or
39 5 after the meeting, and whether given in writing, orally, or by
39 6 attendance. Attendance by a director at a meeting is a waiver
39 7 of notice of that meeting, except where the director objects
39 8 at the beginning of the meeting to the transaction of business
39 9 because the meeting is not lawfully called or convened and
39 10 does not participate in the meeting after the objection.

39 11 6. ABSENT DIRECTORS. If the articles or bylaws so
39 12 provide, a director may give advance written consent or
39 13 opposition to a proposal to be acted on at a board meeting.
39 14 If the director is not present at the meeting, consent or
39 15 opposition to a proposal does not constitute presence for
39 16 purposes of determining the existence of a quorum, but consent
39 17 or opposition must be counted as the vote of a director
39 18 present at the meeting in favor of or against the proposal and
39 19 must be entered in the minutes or other record of action at
39 20 the meeting, if the proposal acted on at the meeting is
39 21 substantially the same or has substantially the same effect as
39 22 the proposal to which the director has consented or objected.

39 23 Sec. 40. NEW SECTION. 501A.707 QUORUM.
39 24 A majority, or a larger or smaller portion or number
39 25 provided in the articles or bylaws, of the directors currently
39 26 holding office is a quorum for the transaction of business.
39 27 In the absence of a quorum, a majority of the directors
39 28 present may adjourn a meeting from time to time until a quorum
39 29 is present. If a quorum is present when a duly called or held
39 30 meeting is convened, the directors present may continue to
39 31 transact business until adjournment, even though the
39 32 withdrawal of a number of directors originally present leaves
39 33 less than the proportion of number otherwise required for a
39 34 quorum.

39 35 Sec. 41. NEW SECTION. 501A.708 ACT OF BOARD OF
40 1 DIRECTORS.

40 2 1. Except as provided in subsection 2, the board shall
40 3 only take action by the affirmative vote of the greater of any
40 4 of the following:

40 5 a. A majority of directors present at a duly held meeting
40 6 at the time the action is taken.

40 7 b. A majority of the minimum proportion or number of
40 8 directors that would constitute a quorum for the transaction
40 9 of business at the meeting.

40 10 2. The articles or bylaws may require the affirmative vote
40 11 of a larger proportion or number than provided in subsection

40 12 1. If the articles or bylaws require a larger proportion or
40 13 number than is required by this chapter for a particular
40 14 action, the articles or bylaws control.

40 15 Sec. 42. NEW SECTION. 501A.709 ACTION WITHOUT A MEETING.

40 16 1. METHOD. An action required or permitted to be taken at
40 17 a board meeting may be taken by written action signed by all
40 18 of the directors. If the articles or bylaws so provide, any
40 19 action, other than an action requiring member approval, may be
40 20 taken by written action signed by the number of directors that
40 21 would be required to take the same action at a meeting of the
40 22 board at which all directors were present.

40 23 2. EFFECTIVE TIME. The written action is effective when
40 24 signed by the required number of directors, unless a different
40 25 effective time is provided in the written action.

40 26 3. NOTICE AND LIABILITY. When written action is permitted
40 27 to be taken by less than all directors, all directors must be
40 28 notified immediately of its text and effective date. Failure
40 29 to provide the notice does not invalidate the written action.
40 30 A director who does not sign or consent to the written action
40 31 has no liability for the action or actions taken by the
40 32 written action.

40 33 Sec. 43. NEW SECTION. 501A.710 AUDIT COMMITTEE.

40 34 The board shall establish an audit committee to review the
40 35 financial information and accounting report of the
41 1 cooperative. The cooperative shall have the financial
41 2 information audited for presentation to the members unless the
41 3 cooperative's bylaws allow financial statements that are not
41 4 audited and the financial statements clearly state that they
41 5 are not audited and the difference between the financial
41 6 statements and audited financial statements that are prepared
41 7 according to generally accepted accounting procedures. The
41 8 directors shall elect members to the audit committee. The
41 9 audit committee shall ensure an independent review of the
41 10 cooperative's finances and audit.

41 11 Sec. 44. NEW SECTION. 501A.711 COMMITTEES.

41 12 1. GENERALLY. A resolution approved by the affirmative
41 13 vote of a majority of the board may establish committees
41 14 having the authority of the board in the management of the
41 15 business of the cooperative only to the extent provided in the
41 16 resolution. Committees may include a special litigation
41 17 committee consisting of one or more independent directors or
41 18 other independent persons to consider legal rights or remedies
41 19 of the cooperative and whether those rights and remedies
41 20 should be pursued. Committees other than special litigation
41 21 committees are subject at all times to the direction and
41 22 control of the board.

41 23 2. MEMBERSHIP. Committee members must be natural persons.
41 24 Unless the articles or bylaws provide for a different
41 25 membership or manner of appointment, a committee consists of
41 26 one or more persons, who need not be directors, appointed by
41 27 affirmative vote of a majority of the directors present.

41 28 3. PROCEDURE. The procedures for meetings of the board
41 29 apply to committees and members of committees to the same
41 30 extent as those sections apply to the board and individual
41 31 directors.

41 32 4. MINUTES. Minutes, if any, of committee meetings must
41 33 be made available upon request to members of the committee and

41 34 to any director.

41 35 5. STANDARD OF CONDUCT. The establishment of, delegation
42 1 of authority to, and action by a committee does not alone
42 2 constitute compliance by a director with the standard of
42 3 conduct set forth in section 501A.712.

42 4 6. COMMITTEE MEMBERS CONSIDERED DIRECTORS. Committee
42 5 members are considered to be directors for purposes of
42 6 sections 501A.712, 501A.713, and 501A.715.

42 7 Sec. 45. NEW SECTION. 501A.712 STANDARD OF CONDUCT.

42 8 1. STANDARD AND LIABILITY. A director shall discharge the
42 9 duties of the position of director in good faith, in a manner
42 10 the director reasonably believes to be in the best interests
42 11 of the cooperative, and with the care an ordinarily prudent
42 12 person in a like position would exercise under similar
42 13 circumstances. A person who so performs those duties is not
42 14 liable by reason of being or having been a director of the
42 15 cooperative.

42 16 2. RELIANCE.

42 17 a. A director is entitled to rely on information,
42 18 opinions, reports, or statements, including financial
42 19 statements and other financial data, in each case prepared or
42 20 presented by any of the following:

42 21 (1) One or more officers or employees of the cooperative
42 22 who the director reasonably believes to be liable and
42 23 competent in the matters presented.

42 24 (2) Counsel, public accountants, or other persons as to
42 25 matters that the director reasonably believes are within the
42 26 person's professional or expert competence.

42 27 (3) A committee of the board upon which the director does
42 28 not serve, duly established by the board, as to matters within
42 29 its designated authority, if the director reasonably believes
42 30 the committee to merit confidence.

42 31 b. Paragraph "a" does not apply to a director who has
42 32 knowledge concerning the matter in question that makes the
42 33 reliance otherwise permitted by paragraph "a" unwarranted.

42 34 3. PRESUMPTION OF ASSENT AND DISSENT. A director who is
42 35 present at a meeting of the board when an action is approved
43 1 by the affirmative vote of a majority of the directors present
43 2 is presumed to have assented to the action approved, unless
43 3 any of the following applies:

43 4 a. The director objects at the beginning of the meeting to
43 5 the transaction of business because the meeting is not
43 6 lawfully called or convened and does not participate in the
43 7 meeting after the objection, in which case the director is not
43 8 considered to be present at the meeting for any purpose of
43 9 this chapter.

43 10 b. The director votes against the action at the meeting.

43 11 c. The director is prohibited by a conflict of interest
43 12 from voting on the action.

43 13 4. CONSIDERATIONS. In discharging the duties of the
43 14 position of director, a director may, in considering the best
43 15 interests of the cooperative, consider the interests of the
43 16 cooperative's employees, customers, suppliers, and creditors,
43 17 the economy of the state, and long-term as well as short-term
43 18 interests of the cooperative and its patron members, including
43 19 the possibility that these interests may be best served by the
43 20 continued independence of the cooperative.

43 21 Sec. 46. NEW SECTION. 501A.713 DIRECTOR CONFLICTS OF
43 22 INTEREST.

43 23 1. CONFLICT AND PROCEDURE WHEN CONFLICT ARISES.

43 24 a. A contract or other transaction between a cooperative
43 25 and one or more of its directors, or between a cooperative and
43 26 a business entity in or of which one or more of its directors
43 27 are governors, directors, managers, officers, or legal
43 28 representatives or have a material financial interest, is not
43 29 void or voidable because the director or directors or the
43 30 other business entities are parties or because the director or
43 31 directors are present at the meeting of the members or the
43 32 board or a committee at which the contract or transaction is
43 33 authorized, approved, or ratified, if any of the following
43 34 applies:

43 35 (1) The contract or transaction was, and the person
44 1 asserting the validity of the contract or transaction sustains
44 2 the burden of establishing that the contract or transaction
44 3 was, fair and reasonable as to the cooperative at the time it
44 4 was authorized, approved, or ratified and all of the following
44 5 apply:

44 6 (a) The material facts as to the contract or transaction
44 7 and as to the director's or directors' interest are disclosed
44 8 or known to the members.

44 9 (b) The material facts as to the contract or transaction

44 10 and as to the director's or directors' interest are fully
44 11 disclosed or known to the board or a committee, and the board
44 12 or committee authorizes, approves, or ratifies the contract or
44 13 transaction in good faith by a majority of the board or
44 14 committee, but the interested director or directors are not
44 15 counted in determining the presence of a quorum and must not
44 16 vote.

44 17 (2) The contract or transaction is a distribution,
44 18 contract, or transaction that is made available to all members
44 19 or patron members as part of the cooperative's business.

44 20 b. If a committee is elected or appointed to authorize,
44 21 ratify, or approve a contract or transaction under this
44 22 section, the members of the committee must not have a conflict
44 23 of interest and must be charged with representing the best
44 24 interests of the cooperative.

44 25 2. MATERIAL FINANCIAL INTEREST. For purposes of this
44 26 section, all of the following apply:

44 27 a. A resolution fixing the compensation of a director or
44 28 fixing the compensation of another director as a director,
44 29 officer, employee, or agent of the cooperative is not void or
44 30 voidable or considered to be a contract or other transaction
44 31 between a cooperative and one or more of its directors for
44 32 purposes of this section even though the director receiving
44 33 the compensation fixed by the resolution is present and voting
44 34 at the meeting of the board or a committee at which the
44 35 resolution is authorized, approved, or ratified or even though
45 1 other directors voting upon the resolution are also receiving
45 2 compensation from the cooperative.

45 3 b. A director has a material financial interest in each
45 4 organization in which the director or a family member of the
45 5 director has a material financial interest. A contract or
45 6 other transaction between a cooperative and a family member of
45 7 a director is considered to be a transaction between the
45 8 cooperative and the director. A family member of a director
45 9 includes the spouse, parents, children and spouses of
45 10 children, brothers and sisters and spouses of brothers and
45 11 sisters, and the brothers and sisters of the spouse of the
45 12 director or any combination of them.

45 13 Sec. 47. NEW SECTION. 501A.714 LIMITATION OF DIRECTOR'S
45 14 LIABILITY.

45 15 Except as otherwise provided in this chapter, a director,
45 16 officer, employee, or member of the cooperative is not liable
45 17 for the cooperative's debts or obligations, and a director,
45 18 officer, member, or other volunteer is not personally liable
45 19 in that capacity, for a claim based upon any action taken, or
45 20 any failure to take action in the discharge of the person's
45 21 duties, except for the amount of a financial benefit received
45 22 by the person to which the person is not entitled, an
45 23 intentional infliction of harm to the cooperative or its
45 24 members or patrons, or an intentional violation of criminal
45 25 law.

45 26 Sec. 48. NEW SECTION. 501A.715 INDEMNIFICATION.

45 27 1. DEFINITIONS. As used in this section, all of the
45 28 following apply:

45 29 a. "Official capacity" means any of the following:

45 30 (1) With respect to a director, the position of director
45 31 in a cooperative.

45 32 (2) With respect to a person other than a director, the
45 33 elective or appointive office or position held by the person,
45 34 member of a committee of the board, the employment
45 35 relationship undertaken by an employee of the cooperative, or
46 1 the scope of the services provided by members of the
46 2 cooperative who provide services to the cooperative.

46 3 (3) With respect to a director, chief executive officer,
46 4 member, or employee of the cooperative who, while a director,
46 5 chief executive officer, or member or employee of the
46 6 cooperative, is or was serving at the request of the
46 7 cooperative or whose duties in that position involve or
46 8 involved service as a governor, director, manager, officer,
46 9 member, partner, trustee, employee, or agent of another
46 10 organization or employee benefit plan, the position of that
46 11 person as a governor, director, manager, officer, member,
46 12 partner, trustee, employee, or agent, as the case may be, of
46 13 the other organization or employee benefit plan.

46 14 b. "Predecessor entity" includes a domestic cooperative or
46 15 foreign cooperative that was the predecessor of the
46 16 cooperative referred to in this section in a merger or other
46 17 transaction in which the predecessor entity's existence ceased
46 18 upon consummation of the transaction.

46 19 c. "Proceeding" means a threatened, pending, or completed
46 20 civil, criminal, administrative, arbitration, or investigative

46 21 proceeding, including a proceeding by or in the right of the
46 22 cooperative.

46 23 d. "Special legal counsel" means counsel who has not
46 24 represented the cooperative or a related organization, or a
46 25 director, manager, member of a committee of the board, or
46 26 employee whose indemnification is in issue.

46 27 2. INDEMNIFICATION.

46 28 a. Subject to the provisions of subsection 4, a
46 29 cooperative shall indemnify a person made or threatened to be
46 30 made a party to a proceeding by reason of the former or
46 31 present official capacity of the person against judgments,
46 32 penalties, fines, including, without limitation, excise taxes
46 33 assessed against the person with respect to an employee
46 34 benefit plan, settlements, and reasonable expenses, including
46 35 attorney fees and disbursements incurred by the person in
47 1 connection with the proceeding, if, with respect to the acts
47 2 or omissions of the person complained of in the proceeding,
47 3 any of the following applies:

47 4 (1) All of the following apply:

47 5 (a) The person has not been indemnified by another
47 6 organization or employee benefit plan for the same judgments,
47 7 penalties, fines, including, without limitation, excise taxes
47 8 assessed against the person with respect to an employee
47 9 benefit plan, settlements, and reasonable expenses, including
47 10 attorney fees and disbursements incurred by the person in
47 11 connection with the proceeding with respect to the same acts
47 12 or omissions.

47 13 (b) The person acted in good faith.

47 14 (c) The person has not received an improper personal
47 15 benefit.

47 16 (d) The person has not committed an act for which
47 17 liability cannot be eliminated or limited under section
47 18 501A.714.

47 19 (e) In the case of a criminal proceeding, the person had
47 20 no reasonable cause to believe the conduct was unlawful.

47 21 (2) (a) In the case of an act or omission occurring in
47 22 the official capacity described in subsection 1, paragraph
47 23 "a", subparagraph (1) or (2), the person reasonably believed
47 24 that the conduct was in the best interests of the cooperative.

47 25 (b) In the case of an act or omission occurring in the
47 26 official capacity described in subsection 1, paragraph "a",
47 27 subparagraph (3), the person reasonably believed that the
47 28 conduct was not opposed to the best interests of the
47 29 cooperative.

47 30 If the person's acts or omissions complained of in the
47 31 proceeding relate to conduct as a director, officer, trustee,
47 32 employee, or agent of an employee benefit plan, the conduct is
47 33 not considered to be opposed to the best interests of the
47 34 cooperative if the person reasonably believed that the conduct
47 35 was in the best interests of the participants or beneficiaries
48 1 of the employee benefit plan.

48 2 b. The termination of a proceeding by judgment, order,
48 3 settlement, conviction, or upon a plea of nolo contendere or
48 4 its equivalent does not, of itself, establish that the person
48 5 did not meet the criteria set forth in this subsection.

48 6 3. ADVANCES. Subject to the provisions of subsection 4,
48 7 if a person is made or threatened to be made a party to a
48 8 proceeding, the person is entitled, upon written request to
48 9 the cooperative, to payment or reimbursement by the
48 10 cooperative of reasonable expenses, including attorney fees
48 11 and disbursements incurred by the person in advance of the
48 12 final disposition of the proceeding, as follows:

48 13 a. Upon receipt by the cooperative of a written
48 14 affirmation by the person of a good-faith belief that the
48 15 criteria for indemnification set forth in subsection 2 has
48 16 been satisfied, and a written undertaking by the person to
48 17 repay all amounts paid or reimbursed by the cooperative, if it
48 18 is ultimately determined that the criteria for indemnification
48 19 have not been satisfied.

48 20 b. After a determination that the facts then known to
48 21 those making the determination would not preclude
48 22 indemnification under this section.

48 23 The written undertaking required by this subsection is an
48 24 unlimited general obligation of the person making it, but need
48 25 not be secured and shall be accepted without reference to
48 26 financial ability to make the repayment.

48 27 4. PROHIBITION OR LIMIT ON INDEMNIFICATION OR ADVANCES.

48 28 The articles or bylaws either may prohibit indemnification or
48 29 advances of expenses otherwise required by this section or may
48 30 impose conditions on indemnification or advances of expenses
48 31 in addition to the conditions contained in subsection 2 or 3,

48 32 including, without limitation, monetary limits on
48 33 indemnification or advances of expenses if the conditions
48 34 apply equally to all persons or to all persons within a given
48 35 class. A prohibition or limit on indemnification or advances
49 1 of expenses shall not apply to or affect the right of a person
49 2 to indemnification or advances of expenses with respect to any
49 3 acts or omissions of the person occurring before the effective
49 4 date of a provision in the articles or the date of adoption of
49 5 a provision in the bylaws establishing the prohibition or
49 6 limit on indemnification or advances of expenses.

49 7 5. REIMBURSEMENT TO WITNESSES. This section does not
49 8 require, or limit the ability of, a cooperative to reimburse
49 9 expenses, including attorney fees and disbursements incurred
49 10 by a person in connection with an appearance as a witness in a
49 11 proceeding at a time when the person has not been made or
49 12 threatened to be made a party to a proceeding.

49 13 6. DETERMINATION OF ELIGIBILITY.

49 14 a. All determinations whether indemnification of a person
49 15 is required because the criteria set forth in subsection 2
49 16 have been satisfied and whether a person is entitled to
49 17 payment or reimbursement of expenses in advance of the final
49 18 disposition of a proceeding as provided in subsection 3 must
49 19 be made as follows:

49 20 (1) By the board by a majority of a quorum, if the
49 21 directors who are, at the time, parties to the proceeding are
49 22 not counted for determining either a majority or the presence
49 23 of a quorum.

49 24 (2) If a quorum under subparagraph (1) cannot be obtained
49 25 by a majority of a committee of the board consisting solely of
49 26 two or more directors not at the time parties to the
49 27 proceeding duly designated to act in the matter by a majority
49 28 of the full board, including directors who are parties.

49 29 (3) If a determination is not made under subparagraph (1)
49 30 or (2) by special legal counsel selected either by a majority
49 31 of the board or a committee by vote under subparagraph (1) or
49 32 (2) or if the requisite quorum of the full board cannot be
49 33 obtained and the committee cannot be established by a majority
49 34 of the full board, including directors who are parties.

49 35 (4) If a determination is not made under subparagraphs (1)
50 1 through (3) by the affirmative vote of the members, but the
50 2 membership interests held by parties to the proceeding must
50 3 not be counted in determining the presence of a quorum, and
50 4 are not considered to be present and entitled to vote on the
50 5 determination.

50 6 (5) If an adverse determination is made under
50 7 subparagraphs (1) through (4) or paragraph "b" or if a
50 8 determination is not made under subparagraphs (1) through (4)
50 9 or paragraph "b" within sixty days either after the later to
50 10 occur of the termination of a proceeding or a written request
50 11 for indemnification to the cooperative, or a written request
50 12 for an advance of expenses, as the case may be, by a court in
50 13 this state, which may be the same court in which the
50 14 proceeding involving the person's liability took place upon
50 15 application of the person and any notice the court requires.
50 16 The person seeking indemnification or payment or reimbursement
50 17 of expenses under this subparagraph has the burden of
50 18 establishing that the person is entitled to indemnification or
50 19 payment or reimbursement of expenses.

50 20 b. With respect to a person who is not, and was not at the
50 21 time of the act or omission complained of in the proceedings,
50 22 a director, chief executive officer, or person possessing,
50 23 directly or indirectly, the power to direct or cause the
50 24 direction of the management or policies of the cooperative,
50 25 the determination whether indemnification of this person is
50 26 required because the criteria set forth in subsection 2 have
50 27 been satisfied and whether such person is entitled to payment
50 28 or reimbursement of expenses in advance of the final
50 29 disposition of a proceeding as provided in subsection 3, may
50 30 be made by an annually appointed committee of the board,
50 31 having at least one member who is a director. The committee
50 32 shall report at least annually to the board concerning its
50 33 actions.

50 34 7. INSURANCE. A cooperative may purchase and maintain
50 35 insurance on behalf of a person in that person's official
51 1 capacity against any liability asserted against and incurred
51 2 by the person in or arising from that capacity, whether or not
51 3 the cooperative would have been required to indemnify the
51 4 person against the liability under the provisions of this
51 5 section.

51 6 8. DISCLOSURE. A cooperative that indemnifies or advances
51 7 expenses to a person in accordance with this section in

51 8 connection with a proceeding by or on behalf of the
51 9 cooperative shall report to the members in writing the amount
51 10 of the indemnification or advance and to whom and on whose
51 11 behalf it was paid not later than the next meeting of members.

51 12 9. INDEMNIFICATION OF OTHER PERSONS. Nothing in this

51 13 section must be construed to limit the power of the
51 14 cooperative to indemnify persons other than a director, chief
51 15 executive officer, member, employee, or member of a committee
51 16 of the board of the cooperative by contract or otherwise.

51 17 Sec. 49. NEW SECTION. 501A.716 OFFICERS.

51 18 1. REQUIRED OFFICERS.

51 19 a. The board shall elect all of the following:

51 20 (1) A chairperson.

51 21 (2) One or more vice chairpersons.

51 22 b. The board shall elect or appoint all of the following:

51 23 (1) A records officer.

51 24 (2) A financial officer.

51 25 c. The officers, other than the chief executive officer,
51 26 shall not have the authority to bind the cooperative except as
51 27 authorized by the board.

51 28 2. ADDITIONAL OFFICERS. The board may elect additional
51 29 officers as the articles or bylaws authorize or require.

51 30 3. RECORDS OFFICER AND FINANCIAL OFFICER MAY BE COMBINED.

51 31 The offices of records officer and financial officer may be
51 32 combined.

51 33 4. OFFICERS THAT MUST BE MEMBERS. The chairperson and
51 34 first vice chairperson shall be directors and members. The
51 35 financial officer, records officer, and additional officers
52 1 need not be directors or members.

52 2 5. CHIEF EXECUTIVE OFFICER. The board may employ a chief
52 3 executive officer to manage the day-to-day affairs and
52 4 business of the cooperative, and if a chief executive officer
52 5 is employed, the chief executive officer shall have the
52 6 authority to implement the functions, duties, and obligations
52 7 of the cooperative except as restricted by the board. The
52 8 chief executive officer shall not exercise authority reserved
52 9 to the board or the members under this chapter, the articles,
52 10 or the bylaws.

52 11 SUBCHAPTER 8

52 12 MEMBERS

52 13 Sec. 50. NEW SECTION. 501A.801 MEMBERS.

52 14 1. REQUIREMENT. A cooperative shall have one or more
52 15 patron members.

52 16 2. GROUPING OF MEMBERS.

52 17 a. A cooperative may group members and patron members in
52 18 districts, units, or on another basis if and as authorized in
52 19 its articles or bylaws. The articles or bylaws may include
52 20 authorization for the board to determine the groupings.

52 21 b. The board may implement the use of districts or units,
52 22 including setting the time and place and prescribing the rules
52 23 of conduct for holding meetings by districts or units to elect
52 24 delegates to members' meetings.

52 25 3. MEMBER VIOLATIONS.

52 26 a. A member who knowingly, intentionally, or repeatedly
52 27 violates a provision of this chapter, the articles or bylaws
52 28 of the cooperative, or a member control agreement or marketing
52 29 contract with the cooperative may be required by the board to
52 30 surrender the member's voting power or the financial rights of
52 31 membership interest of any class owned by the member, or both.

52 32 b. The cooperative shall refund to the member for the
52 33 surrendered financial rights of membership interest the lesser
52 34 of the book value or market value of the financial right of
52 35 the membership interest payable in not more than seven years
53 1 from the date of surrender or the board may transfer all of
53 2 any patron member's financial rights to a class of financial
53 3 rights held by members who are not patron members, or to a
53 4 certificate of interest, which carries liquidation rights on
53 5 par with membership interests and is redeemed within seven
53 6 years after the transfer as provided in the certificate.

53 7 c. Membership interests required to be surrendered may be
53 8 reissued or be retired and canceled by the board.

53 9 4. INSPECTION OF COOPERATIVE RECORDS BY MEMBER.

53 10 a. A member is entitled to inspect and copy, at the
53 11 member's expense, during regular business hours at a
53 12 reasonable location specified by the cooperative, any of the
53 13 records described in section 501A.507 if the member meets the
53 14 requirements of paragraph "b" and gives the cooperative
53 15 written demand at least five business days before the date on
53 16 which the member wishes to inspect and copy the records.
53 17 Notwithstanding the provisions of this subsection or any
53 18 provisions of section 501A.507, a member shall not have the

53 19 right to inspect or copy any records of the cooperative
53 20 relating to the amount of equity capital in the cooperative
53 21 held by any person or any accounts receivable or other amounts
53 22 due the cooperative from any person, or any personnel records
53 23 or employment records of any employee.
53 24 b. To be entitled to inspect and copy permitted records,
53 25 the member shall meet all of the following requirements:
53 26 (1) The member must have been a member for at least one
53 27 year immediately preceding the demand to inspect or copy or
53 28 must be a member holding at least five percent of all of the
53 29 outstanding equity interests in the cooperative as of the date
53 30 the demand is made.
53 31 (2) The demand is made in good faith and for a proper
53 32 cooperative business purpose.
53 33 (3) The member describes with reasonable particularity the
53 34 purpose and the records the member desires to inspect.
53 35 (4) The records are directly connected with the described
54 1 purpose.
54 2 c. The right of inspection granted by this subsection
54 3 shall not be abolished or limited by the articles, bylaws, or
54 4 any actions of the board or the members.
54 5 d. This subsection does not affect any of the following:
54 6 (1) The right of a member to inspect records to the same
54 7 extent as any other litigant if the member is in litigation
54 8 with the cooperative.
54 9 (2) The power of a court to compel the production of the
54 10 cooperative's records for examination.
54 11 e. Notwithstanding any other provision in this subsection,
54 12 if the records to be inspected or copied are in active use or
54 13 storage and, therefore, not available at the time otherwise
54 14 provided for inspection or copying, the cooperative shall
54 15 notify the member and shall set a date and hour within three
54 16 business days of the date otherwise set in this subsection for
54 17 the inspection or copying.
54 18 f. A member's agent or attorney has the same inspection
54 19 and copying rights as the member. The right to copy records
54 20 under this subsection includes, if reasonable, the right to
54 21 receive copies made by photographic copying, xerographic
54 22 copying, or other means. The cooperative may impose a
54 23 reasonable charge, covering the costs of labor and material,
54 24 for copies of any documents provided to the member. The
54 25 charge shall not exceed the estimated cost of production and
54 26 reproduction of the records.
54 27 g. If a cooperative refuses to allow a member, or the
54 28 member's agent or attorney, who complies with this subsection
54 29 to inspect or copy any records that the member is entitled to
54 30 inspect or copy within a prescribed time limit or, if none,
54 31 within a reasonable time, the district court of the county in
54 32 this state where the cooperative's principal office is located
54 33 or, if it has no principal office in this state, the district
54 34 court of the county in which its registered office is located
54 35 may, on application of the member, summarily order the
55 1 inspection or copying of the records demanded at the
55 2 cooperative's expense.
55 3 h. If a court orders inspection or copying of the records
55 4 demanded, unless the cooperative proves that it refused
55 5 inspection or copying in good faith because it had a
55 6 reasonable basis for doubt about the right of the member or
55 7 the member's agent or attorney to inspect or copy the records
55 8 demanded, all of the following shall apply:
55 9 (1) The court may order the losing party to pay the
55 10 prevailing party's reasonable costs, including reasonable
55 11 attorney fees.
55 12 (2) The court may order the losing party to pay the
55 13 prevailing party for any damages the prevailing party shall
55 14 have incurred by reason of the subject matter of the
55 15 litigation.
55 16 (3) If inspection or copying is ordered under this
55 17 paragraph "h", the court may order the cooperative to pay the
55 18 member's inspection and copying expenses.
55 19 (4) The court may grant either party any other remedy
55 20 provided by law.
55 21 (5) The court may impose reasonable restrictions on the
55 22 use or distribution of the records by the demanding member.
55 23 Sec. 51. NEW SECTION. 501A.802 MEMBER NOT LIABLE FOR
55 24 COOPERATIVE DEBTS.
55 25 A member is not, merely on the account of that status,
55 26 personally liable for the acts, debts, liabilities, or
55 27 obligations of a cooperative. A member is liable for any
55 28 unpaid subscription for the membership interest, unpaid
55 29 membership fees, or a debt for which the member has separately

55 30 contracted with the cooperative.
55 31 Sec. 52. NEW SECTION. 501A.803 REGULAR MEMBERS'
55 32 MEETINGS.
55 33 1. ANNUAL MEETING. Regular members' meetings shall be
55 34 held annually at a time determined by the board, unless
55 35 otherwise provided for in the bylaws.
56 1 2. LOCATION. The regular members' meeting shall be held
56 2 at the principal place of business of the cooperative or at
56 3 another conveniently located place as determined by the bylaws
56 4 or the board.
56 5 3. BUSINESS AND FISCAL REPORTS. The officers shall submit
56 6 reports to the members at the regular members' meeting
56 7 covering the business of the cooperative for the previous
56 8 fiscal year that show the condition of the cooperative at the
56 9 close of the fiscal year.
56 10 4. ELECTION OF DIRECTORS. All directors shall be elected
56 11 at the regular members' meeting for the terms of office
56 12 prescribed in the bylaws, except for directors elected at
56 13 district or unit meetings.
56 14 5. NOTICE.
56 15 a. The cooperative shall give notice of regular members'
56 16 meetings by mailing the regular members' meeting notice to
56 17 each member at the members' last known post office address or
56 18 by other notification approved by the board and agreed to by
56 19 the members. The regular members' meeting notice shall be
56 20 published or otherwise given by approved method at least two
56 21 weeks before the date of the meeting or mailed at least
56 22 fifteen days before the date of the meeting.
56 23 b. The notice shall contain a summary of any bylaw
56 24 amendments adopted by the board since the last annual meeting.
56 25 6. WAIVER AND OBJECTIONS. A member may waive notice of a
56 26 meeting of members. A waiver of notice by a member entitled
56 27 to notice is effective whether given before, at, or after the
56 28 meeting, and whether given in writing, orally, or by
56 29 attendance. Attendance by a member at a meeting is a waiver
56 30 of notice of that meeting, except where the member objects at
56 31 the beginning of the meeting to the transaction of business
56 32 because the meeting is not lawfully called or convened, or
56 33 objects before a vote on an item of business because the item
56 34 cannot lawfully be considered at that meeting and does not
56 35 participate in the consideration of the item at that meeting.
57 1 Sec. 53. NEW SECTION. 501A.804 SPECIAL MEMBERS'
57 2 MEETINGS.
57 3 1. CALLING MEETING. Special members' meetings of the
57 4 members may be called by any of the following:
57 5 a. A majority vote of the board.
57 6 b. The written petition of at least twenty percent of the
57 7 patron members and, if authorized by the articles or bylaws,
57 8 twenty percent of the nonpatron members, twenty percent of all
57 9 members, or members representing twenty percent of the
57 10 membership interests collectively submitted to the
57 11 chairperson.
57 12 2. NOTICE. The cooperative shall give notice of a special
57 13 members' meeting by mailing the special members' meeting
57 14 notice to each member personally at the person's last known
57 15 post office address or an alternative method approved by the
57 16 board and agreed to by the member individually or the members
57 17 generally. For a member that is an entity, notice mailed or
57 18 delivered by an alternative method shall be to an officer of
57 19 the entity. The special members' meeting notice shall state
57 20 the time, place, and purpose of the special members' meeting.
57 21 The special members' meeting notice shall be issued within ten
57 22 days from and after the date of the presentation of a members'
57 23 petition, and the special members' meeting shall be held
57 24 within thirty days after the date of the presentation of the
57 25 members' petition.
57 26 3. WAIVER AND OBJECTIONS. A member may waive notice of a
57 27 meeting of members. A waiver of notice by a member entitled
57 28 to notice is effective whether given before, at, or after the
57 29 meeting, and whether given in writing, orally, or by
57 30 attendance. Attendance by a member at a meeting is a waiver
57 31 of notice of that meeting, except where the member objects at
57 32 the beginning of the meeting to the transaction of business
57 33 because the meeting is not lawfully called or convened, or
57 34 objects before a vote on an item of business because the item
57 35 cannot lawfully be considered at that meeting and does not
58 1 participate in the consideration of the item at that meeting.
58 2 Sec. 54. NEW SECTION. 501A.805 CERTIFICATION OF MEETING
58 3 NOTICE.
58 4 1. CERTIFICATE OF MAILING. After mailing special or
58 5 regular members' meeting notices or otherwise delivering the

58 6 notices, the cooperative shall execute a certificate
58 7 containing the date of mailing or delivery of the notice and a
58 8 statement that the special or regular members' meeting notices
58 9 were mailed or delivered as prescribed by law.

58 10 2. MATTER OF RECORD. The certificate shall be made a part
58 11 of the record of the meeting.

58 12 3. FAILURE TO RECEIVE MEETING NOTICE. Failure of a member
58 13 to receive a special or regular members' meeting notice does
58 14 not invalidate an action taken by the members at a members'
58 15 meeting.

58 16 Sec. 55. NEW SECTION. 501A.806 QUORUM.

58 17 1. QUORUM. The quorum for a members' meeting to transact
58 18 business shall be by any of the following:

58 19 a. Ten percent of the total number of members of a
58 20 cooperative with five hundred or fewer members.

58 21 b. Fifty members for cooperatives with more than five
58 22 hundred members.

58 23 2. QUORUM FOR VOTING BY MAIL. In determining a quorum at
58 24 a meeting, on a question submitted to a vote by mail or an
58 25 alternative method, members present in person or represented
58 26 by mail vote or the alternative voting method shall be
58 27 counted. The attendance of a sufficient number of members to
58 28 constitute a quorum shall be established by a registration of
58 29 the members of the cooperative present at the meeting. The
58 30 registration shall be verified by the chairperson or the
58 31 records officer of the cooperative and shall be reported in
58 32 the minutes of the meeting.

58 33 3. MEETING ACTION INVALID WITHOUT QUORUM. An action by a
58 34 cooperative is not valid or legal in the absence of a quorum
58 35 at the meeting at which the action was taken.

59 1 Sec. 56. NEW SECTION. 501A.807 REMOTE COMMUNICATIONS FOR
59 2 MEMBERS' MEETINGS.

59 3 1. CONSTRUCTION AND APPLICATION. This section shall be
59 4 construed and applied to all of the following:

59 5 a. To facilitate remote communication consistent with
59 6 other applicable law.

59 7 b. To be consistent with reasonable practices concerning
59 8 remote communication and with the continued expansion of those
59 9 practices.

59 10 2. MEMBERS' MEETINGS HELD SOLELY BY MEANS OF REMOTE
59 11 COMMUNICATION. To the extent authorized in the articles, a
59 12 member control agreement, or the bylaws and determined by the
59 13 board, a regular or special meeting of members may be held
59 14 solely by any combination of means of remote communication
59 15 through which the members may participate in the meeting, if
59 16 notice of the meeting is given to every owner of membership
59 17 interests entitled to vote as would be required by this
59 18 chapter for a meeting, and if the membership interests held by
59 19 the members participating in the meeting would be sufficient
59 20 to constitute a quorum at a meeting. Participation by a
59 21 member by that means constitutes presence at the meeting in
59 22 person or by proxy if all the other requirements of this
59 23 chapter for the meeting are met.

59 24 3. PARTICIPATION IN MEMBERS' MEETINGS BY MEANS OF REMOTE
59 25 COMMUNICATION. To the extent authorized in the articles or
59 26 the bylaws and determined by the board, a member not
59 27 physically present in person or by proxy at a regular or
59 28 special meeting of members may, by means of remote
59 29 communication, participate in a meeting of members held at a
59 30 designated place. Participation by a member by that means
59 31 constitutes presence at the meeting in person or by proxy if
59 32 all the other requirements of this chapter for the meeting are
59 33 met.

59 34 4. REQUIREMENTS FOR MEETINGS HELD SOLELY BY MEANS OF
59 35 REMOTE COMMUNICATION AND FOR PARTICIPATION BY MEANS OF REMOTE
60 1 COMMUNICATION. In any meeting of members held solely by means
60 2 of remote communication under subsection 2 or in any meeting
60 3 of members held at a designated place in which one or more
60 4 members participate by means of remote communication under
60 5 subsection 3, all of the following shall apply:

60 6 a. The cooperative shall implement reasonable measures to
60 7 verify that each person deemed present and entitled to vote at
60 8 the meeting by means of remote communication is a member.

60 9 b. The cooperative shall implement reasonable measures to
60 10 provide each member participating by means of remote
60 11 communication with a reasonable opportunity to participate in
60 12 the meeting, including an opportunity to do all of the
60 13 following:

60 14 (1) Read or hear the proceedings of the meeting

60 15 substantially concurrently with those proceedings.

60 16 (2) If allowed by the procedures governing the meeting,

60 17 have the member's remarks heard or read by other participants
60 18 in the meeting substantially concurrently with the making of
60 19 those remarks.

60 20 (3) If otherwise entitled, vote on matters submitted to
60 21 the members.

60 22 5. NOTICE TO MEMBERS.

60 23 a. Any notice to members given by the cooperative under
60 24 any provision of this chapter, the articles, or the bylaws by
60 25 a form of electronic communication consented to by the member
60 26 to whom the notice is given is effective when given. The
60 27 notice is deemed given upon any of the following:

60 28 (1) If by facsimile communication, when directed to a
60 29 telephone number at which the member has consented to receive
60 30 notice.

60 31 (2) If by electronic mail, when directed to an electronic
60 32 mail address at which the member has consented to receive
60 33 notice.

60 34 (3) If by a posting on an electronic network on which the
60 35 member has consented to receive notice, together with separate
61 1 notice to the member of the specific posting, upon the later
61 2 of any of the following:

61 3 (a) The posting.

61 4 (b) The giving of the separate notice.

61 5 (4) If by any other form of electronic communication by
61 6 which the member has consented to receive notice, when
61 7 directed to the member.

61 8 b. An affidavit of the secretary, other authorized
61 9 officer, or authorized agent of the cooperative that the
61 10 notice has been given by a form of electronic communication
61 11 is, in the absence of fraud, prima facie evidence of the facts
61 12 stated in the affidavit.

61 13 c. Consent by a member to notice given by electronic
61 14 communication may be given in writing or by authenticated
61 15 electronic communication. The cooperative is entitled to rely
61 16 on any consent so given until revoked by the member, provided
61 17 that no revocation affects the validity of any notice given
61 18 before receipt by the cooperative of revocation of the
61 19 consent.

61 20 6. REVOCATION. Any ballot, vote, authorization, or
61 21 consent submitted by electronic communication under this
61 22 chapter may be revoked by the member submitting the ballot,
61 23 vote, authorization, or consent so long as the revocation is
61 24 received by a director or the chief executive officer of the
61 25 cooperative at or before the meeting or before an action
61 26 without a meeting is effective.

61 27 7. WAIVER. Waiver of notice by a member of a meeting by
61 28 means of authenticated electronic communication may be given
61 29 in the manner provided for the regular or special meeting.
61 30 Participation in a meeting by means of remote communication
61 31 described in subsections 2 and 3 is a waiver of notice of that
61 32 meeting, except where the member objects at the beginning of
61 33 the meeting to the transaction of business because the meeting
61 34 is not lawfully called or convened, or objects before a vote
61 35 on an item of business because the item cannot lawfully be
62 1 considered at the meeting and does not participate in the
62 2 consideration of the item at that meeting.

62 3 Sec. 57. NEW SECTION. 501A.808 ACT OF MEMBERS.

62 4 1. ACTION BY AFFIRMATIVE VOTE OF MEMBERS.

62 5 a. The members shall take action by the affirmative vote
62 6 of the members of the greater of any of the following:

62 7 (1) A majority of the voting power of the membership
62 8 interests present and entitled to vote on that item of
62 9 business.

62 10 (2) A majority of the voting power that would constitute a
62 11 quorum for the transaction of business at the meeting, except
62 12 where this chapter, the articles or bylaws, or a member
62 13 control agreement require a larger proportion.

62 14 b. If the articles, bylaws, or a member control agreement
62 15 require a larger proportion than is required by this chapter
62 16 for a particular action, the articles, bylaws, or the member
62 17 control agreement shall have control over the provisions of
62 18 this chapter.

62 19 2. CLASS OR SERIES OF MEMBERSHIP INTERESTS. In any case
62 20 where a class or series of membership interests is entitled by
62 21 this chapter, the articles, bylaws, a member control
62 22 agreement, or the terms of the membership interests to vote as
62 23 a class or series, the matter being voted upon must also
62 24 receive the affirmative vote of the owners of the same
62 25 proportion of the membership interests present of that class
62 26 or series; or of the total outstanding membership interests of
62 27 that class or series, as the proportion required under

62 28 subsection 1, unless the articles, bylaws, or the member
62 29 control agreement require a larger proportion. Unless
62 30 otherwise stated in the articles, bylaws, or a member control
62 31 agreement, in the case of voting as a class or series, the
62 32 minimum percentage of the total voting power of membership
62 33 interests of the class or series that must be present is equal
62 34 to the minimum percentage of all membership interests entitled
62 35 to vote required to be present under section 501A.707.

63 1 3. GREATER QUORUM OR VOTING REQUIREMENTS.

63 2 a. The articles or bylaws adopted by the members may
63 3 provide for a greater quorum or voting requirement for members
63 4 or voting groups than is provided for by this chapter.

63 5 b. An amendment to the articles or bylaws that adds,
63 6 changes, or deletes a greater quorum or voting requirement
63 7 shall meet the same quorum requirement and be adopted by the
63 8 same vote and voting groups required to take action under the
63 9 quorum and voting requirements then in effect or proposed to
63 10 be adopted, whichever is greater.

63 11 Sec. 58. NEW SECTION. 501A.809 ACTION WITHOUT A MEETING.

63 12 1. METHOD. An action required or permitted to be taken at
63 13 a meeting of the members may be taken by written action
63 14 signed, or consented to by authenticated electronic
63 15 communication, by all of the members. If the articles,
63 16 bylaws, or a member control agreement so provide, any action
63 17 may be taken by written action signed, or consented to by
63 18 authenticated electronic communication, by the members who own
63 19 voting power equal to the voting power that would be required
63 20 to take the same action at a meeting of the members at which
63 21 all members were present.

63 22 2. EFFECTIVE TIME. The written action is effective when
63 23 signed or consented to by authenticated electronic
63 24 communication by the required members, unless a different
63 25 effective time is provided in the written action.

63 26 3. NOTICE AND LIABILITY. When written action is permitted
63 27 to be taken by less than all members, all members must be
63 28 notified immediately of its text and effective date. Failure
63 29 to provide the notice does not invalidate the written action.
63 30 A member who does not sign or consent to the written action
63 31 has no liability for the action or actions taken by the
63 32 written action.

63 33 Sec. 59. NEW SECTION. 501A.810 MEMBER VOTING RIGHTS.

63 34 1. MEMBER HAS ONE VOTE OR PATRONAGE VOTING. A patron
63 35 member of a cooperative is only entitled to one vote on an
64 1 issue to be voted upon by members holding patron membership
64 2 interests. However, if authorized in the cooperative's
64 3 articles or bylaws, a patron member may be entitled to
64 4 additional votes based on patronage criteria in section
64 5 501A.811. If nonpatron members are authorized by the patron
64 6 members and granted voting rights on any matter voted on by
64 7 the members of the cooperative, the entire patron members'
64 8 voting power shall be voted collectively based upon the vote
64 9 of the majority of patron members voting on the issue and the
64 10 collective vote of the patron members shall be a majority of
64 11 the vote cast unless otherwise provided in the bylaws. The
64 12 bylaws shall not reduce the collective patron member vote to
64 13 less than fifteen percent of the total vote on matters of the
64 14 cooperative. A nonpatron member has the voting rights in
64 15 accordance to the nonpatron member's nonpatron membership
64 16 interests as granted in the bylaws, subject to the provisions
64 17 of this chapter.

64 18 2. RIGHT TO VOTE AT MEETING. A member or delegate may
64 19 exercise voting rights on any matter that is before the
64 20 members as prescribed in the articles or bylaws at a members'
64 21 meeting from the time the member or delegate arrives at the
64 22 members' meeting, unless the articles or bylaws specify an
64 23 earlier and specific time for closing the right to vote.

64 24 3. VOTING METHOD. A member's vote at a members' meeting
64 25 shall be in person or by mail if a mail vote is authorized by
64 26 the board or by alternative method if authorized by the board
64 27 and not by proxy, except as provided in subsection 4.

64 28 4. MEMBERS REPRESENTED BY DELEGATES.

64 29 a. The provisions of this subsection apply to members
64 30 represented by delegates.

64 31 b. A cooperative may provide in the articles or bylaws
64 32 that units or districts of members are entitled to be
64 33 represented at members' meetings by delegates chosen by the
64 34 members of the unit or district. The delegates may vote on
64 35 matters at the members' meeting in the same manner as a
65 1 member. The delegates may only exercise the voting rights on
65 2 a basis and with the number of votes as prescribed in the
65 3 articles or bylaws.

65 4 c. If the approval of a certain portion of the members is
65 5 required for adoption of amendments, a dissolution, a merger,
65 6 a consolidation, or a sale of assets, the votes of delegates
65 7 shall be counted as votes by the members represented by the
65 8 delegate.

65 9 d. Patron members may be represented by the proxy of other
65 10 patron members.

65 11 e. Nonpatron members may be represented by proxy if
65 12 authorized in the bylaws.

65 13 5. ABSENTEE BALLOTS.

65 14 a. The provisions of this subsection apply to absentee
65 15 ballots.

65 16 b. A member who is or will be absent from a members'
65 17 meeting may vote by mail or by an approved alternative method
65 18 on the ballot prescribed in this subsection on any motion,
65 19 resolution, or amendment that the board submits for vote by
65 20 mail or alternative method to the members.

65 21 c. The ballot shall be in the form prescribed by the board
65 22 and contain all of the following:

65 23 (1) The exact text of the proposed motion, resolution, or
65 24 amendment to be acted on at the meeting.

65 25 (2) The text of the motion, resolution, or amendment for
65 26 which the member may indicate an affirmative or negative vote.

65 27 d. The member shall express a choice by marking an
65 28 appropriate choice on the ballot and mail, deliver, or
65 29 otherwise submit the ballot to the cooperative in a plain,
65 30 sealed envelope inside another envelope bearing the member's
65 31 name or by an alternative method approved by the board.

65 32 e. A properly executed ballot shall be accepted by the
65 33 board and counted as the vote of the absent member at the
65 34 meeting.

65 35 Sec. 60. NEW SECTION. 501A.811 PATRON MEMBER VOTING
66 1 BASED ON PATRONAGE.

66 2 1. PATRON MEMBERS TO HAVE AN ADDITIONAL VOTE. A
66 3 cooperative may authorize by the articles or the bylaws for
66 4 patron members to have an additional vote for all of the
66 5 following:

66 6 a. A stipulated amount of business transacted between the
66 7 patron member and cooperative.

66 8 b. A stipulated number of patron members in a member
66 9 cooperative.

66 10 c. A certain stipulated amount of equity allocated to or
66 11 held by a patron member in the cooperative's central
66 12 organization.

66 13 d. A combination of methods provided in this subsection.

66 14 2. DELEGATES ELECTED BY PATRONS TO HAVE AN ADDITIONAL
66 15 VOTE. A cooperative that is organized into units or districts
66 16 of patron members may, by the articles or the bylaws,
66 17 authorize the delegates elected by its patron members to have
66 18 an additional vote for any of the following:

66 19 a. A stipulated amount of business transacted between the
66 20 patron members in the units or districts and the cooperative.

66 21 b. A certain stipulated amount of equity allocated to or
66 22 held by the patron members of the units or districts of the
66 23 cooperative.

66 24 c. A combination of methods in this subsection.

66 25 Sec. 61. NEW SECTION. 501A.812 VOTING RIGHTS.

66 26 1. DETERMINATION. The board may fix a date not more than
66 27 sixty days, or a shorter time period provided in the articles
66 28 or bylaws, before the date of a meeting of members as the date
66 29 for the determination of the owners of membership interests
66 30 entitled to notice of and entitled to vote at the meeting.
66 31 When a date is so fixed, only members on that date are
66 32 entitled to notice of and permitted to vote at that meeting of
66 33 members.

66 34 2. VOTING POWER. Unless otherwise provided in the
66 35 articles, bylaws, or a member control agreement, members have
67 1 voting power as provided in section 501A.810.

67 2 3. NONMEMBERS. The articles or bylaws may give or
67 3 prescribe the manner of giving a creditor, security holder, or
67 4 other person a right to vote on patron membership interests
67 5 under this section.

67 6 4. JOINTLY OWNED MEMBERSHIP INTERESTS. Membership
67 7 interests owned by two or more members may be voted by any one
67 8 of them unless the cooperative receives written notice from
67 9 any one of them denying the authority of that person to vote
67 10 those membership interests.

67 11 5. MANNER OF VOTING AND PRESUMPTION. Except as provided
67 12 in subsection 4, an owner of a nonpatron membership interest
67 13 or a patron membership interest with more than one vote that
67 14 is entitled to vote may vote any portion of the membership

67 15 interest in any way the member chooses. If a member votes
67 16 without designating the proportion voted in a particular way,
67 17 the member is considered to have voted all of the membership
67 18 interest in that way.

67 19 Sec. 62. NEW SECTION. 501A.813 VOTING BY ORGANIZATIONS
67 20 AND LEGAL REPRESENTATIVES.

67 21 1. MEMBERSHIP INTERESTS HELD BY ANOTHER ORGANIZATION.
67 22 Membership interests of a cooperative reflected in the
67 23 required records as being owned by another domestic business
67 24 entity or foreign business entity may be voted by the
67 25 chairperson, chief executive officer, or another legal
67 26 representative of that organization.

67 27 2. MEMBERSHIP INTERESTS HELD BY SUBSIDIARY. Except as
67 28 provided in subsection 3, membership interests of a
67 29 cooperative reflected in the required records as being owned
67 30 by a subsidiary are not entitled to be voted on any matter.

67 31 3. MEMBERSHIP INTERESTS CONTROLLED IN A FIDUCIARY
67 32 CAPACITY. Membership interests of a cooperative in the name
67 33 of, or under the control of, the cooperative or a subsidiary
67 34 in a fiduciary capacity are not entitled to be voted on any
67 35 matter, except to the extent that the settler or beneficiary
68 1 possesses and exercises a right to vote or gives the
68 2 cooperative or, with respect to membership interests in the
68 3 name of or under control of a subsidiary, the subsidiary,
68 4 binding instructions on how to vote the membership interests.

68 5 4. VOTING BY CERTAIN REPRESENTATIVES. Subject to section
68 6 501A.810, membership interests under the control of a person
68 7 in a capacity as a personal representative, an administrator,
68 8 executor, guardian, conservator, or the like may be voted by
68 9 the person, either in person or by proxy, without reflecting
68 10 in the required records those membership interests in the name
68 11 of the person.

68 12 5. VOTING BY TRUSTEES IN BANKRUPTCY OR RECEIVER.
68 13 Membership interests reflected in the required records in the
68 14 name of a trustee in bankruptcy or a receiver may be voted by
68 15 the trustee or receiver either in person or by proxy.
68 16 Membership interests under the control of a trustee in
68 17 bankruptcy or a receiver may be voted by the trustee or
68 18 receiver without reflecting in the required records the name
68 19 of the trustee or receiver, if authority to do so is contained
68 20 in an appropriate order of the court by which the trustee or
68 21 receiver was appointed. The right to vote of trustees in
68 22 bankruptcy and receivers is subject to section 501A.810.

68 23 6. MEMBERSHIP INTERESTS HELD BY OTHER ORGANIZATIONS.
68 24 Membership interests reflected in the required records in the
68 25 name of a business entity not described in subsections 1
68 26 through 5 may be voted either in person or by proxy by the
68 27 legal representative of that business entity.

68 28 7. GRANT OF SECURITY INTEREST. The grant of a security
68 29 interest in a membership interest does not entitle the holders
68 30 of the security interest to vote.

68 31 Sec. 63. NEW SECTION. 501A.814 PROXIES.

68 32 1. AUTHORIZATION.

68 33 a. A patron member may only grant a proxy to vote to
68 34 another patron member.

68 35 b. A member may cast or authorize the casting of a vote by
69 1 any of the following:

69 2 (1) Filing a written appointment of a proxy with the board
69 3 at or before the meeting at which the appointment is to be
69 4 effective.

69 5 (2) Telephonic transmission or authenticated electronic
69 6 communication, whether or not accompanied by written
69 7 instructions of the member, of an appointment of a proxy with
69 8 the cooperative or the cooperative's duly authorized agent at
69 9 or before the meeting at which the appointment is to be
69 10 effective.

69 11 c. The telephonic transmission or authenticated electronic
69 12 communication must set forth or be submitted with information
69 13 from which it can be determined that the appointment was
69 14 authorized by the member. If it is reasonably concluded that
69 15 the telephonic transmission or authenticated electronic
69 16 communication is valid, the inspectors of election or, if
69 17 there are not inspectors, the other persons making that
69 18 determination shall specify the information upon which they
69 19 relied to make that determination. A proxy so appointed may
69 20 vote on behalf of the member, or otherwise participate, in a
69 21 meeting by remote communication under section 501A.807, to the
69 22 extent the member appointing the proxy would have been
69 23 entitled to participate by remote communication if the member
69 24 did not appoint the proxy.

69 25 d. A copy, facsimile, telecommunication, or other

69 26 reproduction of the original writing or transmission may be
69 27 substituted or used in lieu of the original writing or
69 28 transmission for any purpose for which the original
69 29 transmission could be used, if the copy, facsimile,
69 30 telecommunication, or other reproduction is a complete and
69 31 legible reproduction of the entire original writing or
69 32 transmission.

69 33 e. An appointment of a proxy for membership interests
69 34 owned jointly by two or more members is valid if signed or
69 35 consented to by authenticated electronic communication, by any
70 1 one of them, unless the cooperative receives from any one of
70 2 those members written notice or an authenticated electronic
70 3 communication either denying the authority of that person to
70 4 appoint a proxy or appointing a different proxy.

70 5 2. DURATION. The appointment of a proxy is valid for
70 6 eleven months unless a longer period is expressly provided in
70 7 the appointment. An appointment is not irrevocable unless the
70 8 appointment is coupled with an interest in the membership
70 9 interests or the cooperative.

70 10 3. TERMINATION. An appointment may be terminated at will
70 11 unless the appointment is coupled with an interest, in which
70 12 case the appointment shall not be terminated except in
70 13 accordance with the terms of an agreement, if any, between the
70 14 parties to the appointment. Termination may be made by filing
70 15 written notice of the termination of the appointment with a
70 16 manager of the cooperative or by filing a new written
70 17 appointment of a proxy with a manager of the cooperative.
70 18 Termination in either manner revokes all prior proxy
70 19 appointments and is effective when filed with a manager of the
70 20 cooperative.

70 21 4. REVOCATION BY DEATH OR INCAPACITY. The death or
70 22 incapacity of a person appointing a proxy does not revoke the
70 23 authority of the proxy, unless written notice of the death or
70 24 incapacity is received by a manager of the cooperative before
70 25 the proxy exercises the authority under that appointment.

70 26 5. MULTIPLE PROXIES. Unless the appointment specifically
70 27 provides otherwise, if two or more persons are appointed as
70 28 proxies for a member, all of the following apply:

70 29 a. Any one of them may vote the membership interests on
70 30 each item of business in accordance with specific instructions
70 31 contained in the appointment.

70 32 b. If no specific instructions are contained in the
70 33 appointment with respect to voting the membership interests on
70 34 a particular item of business, the membership interests must
70 35 be voted as a majority of the proxies determine. If the
71 1 proxies are equally divided, the membership interests must not
71 2 be voted.

71 3 6. VOTE OF PROXY ACCEPTED AND LIABILITY. Unless the
71 4 appointment of a proxy contains a restriction, limitation, or
71 5 specific reservation of authority, the cooperative may accept
71 6 a vote or action taken by a person named in the appointment.
71 7 The vote of a proxy is final, binding, and not subject to
71 8 challenge, but the proxy is liable to the member for damages
71 9 resulting from a failure to exercise the proxy or from an
71 10 exercise of the proxy in violation of the authority granted in
71 11 the appointment.

71 12 7. LIMITED AUTHORITY. If a proxy is given authority by a
71 13 member to vote on less than all items of business considered
71 14 at a meeting of members, the member is considered to be
71 15 present and entitled to vote by the proxy only with respect to
71 16 those items of business for which the proxy has authority to
71 17 vote. A proxy who is given authority by a member who abstains
71 18 with respect to an item of business is considered to have
71 19 authority to vote on the item of business for purposes of this
71 20 subsection.

71 21 Sec. 64. NEW SECTION. 501A.815 SALE OF PROPERTY AND
71 22 ASSETS.

71 23 1. MEMBER APPROVAL NOT REQUIRED. A cooperative may, by
71 24 affirmative vote of a majority of the board present, upon
71 25 those terms and conditions and for those considerations, which
71 26 may be money, securities, or other instruments for the payment
71 27 of money or other property, as the board considers expedient
71 28 and without member approval, do any of the following:

71 29 a. Sell, lease, transfer, or otherwise dispose of all or
71 30 substantially all of its property and assets in the usual and
71 31 regular course of its business.

71 32 b. Grant a security interest in all or substantially all
71 33 of its property and assets whether or not in the usual and
71 34 regular course of its business.

71 35 c. Transfer any or all of its property to a business
72 1 entity all the ownership interests of which are owned by the

72 2 cooperative.
72 3 d. For purposes of debt financing, transfer any or all of
72 4 its property to a special purpose entity owned or controlled
72 5 by the cooperative for an asset securitization.
72 6 2. MEMBER APPROVAL REQUIRED. Except as provided in
72 7 subsection 1, a cooperative, by affirmative vote of a majority
72 8 of the board present, may sell, lease, transfer, or otherwise
72 9 dispose of all or substantially all of its property and
72 10 assets, including its goodwill, not in the usual and regular
72 11 course of its business, upon those terms and conditions and
72 12 for those considerations, which may be money, securities, or
72 13 other instruments for the payment of money or other property,
72 14 as the board considers expedient, when approved at a regular
72 15 or special meeting of the members by the affirmative vote of
72 16 two-thirds of the voting power voting at the meeting. Ten
72 17 days' written notice of the meeting must be given to all
72 18 members whether or not they are entitled to vote at the
72 19 meeting. The written notice must state that a purpose of the
72 20 meeting is to consider the sale, lease, transfer, or other
72 21 disposition of all or substantially all of the property and
72 22 assets of the cooperative.

72 23 3. CONFIRMATORY DOCUMENTS. Confirmatory deeds,
72 24 assignments, or similar instruments to evidence a sale, lease,
72 25 transfer, or other disposition may be signed and delivered at
72 26 any time in the name of the transferor by its current
72 27 chairperson of the board or authorized agents.

72 28 4. LIABILITY OF TRANSFEREE. The transferee is liable for
72 29 the debts, obligations, and liabilities of the transferor only
72 30 to the extent provided in the contract or agreement between
72 31 the transferee and the transferor or to the extent provided by
72 32 law.

72 33 Sec. 65. NEW SECTION. 501A.816 VOTE OF OWNERSHIP
72 34 INTERESTS HELD BY COOPERATIVE.

72 35 A cooperative that holds ownership interests of another
73 1 business entity may, by direction of the cooperative's board,
73 2 elect or appoint a person to represent the cooperative at a
73 3 meeting of the business entity. The representative has
73 4 authority to represent the cooperative and may cast the
73 5 cooperative's vote at the business entity's meeting.

73 6 SUBCHAPTER 9
73 7 MEMBERSHIP INTERESTS

73 8 Sec. 66. NEW SECTION. 501A.901 MEMBERSHIP INTERESTS.

73 9 1. PATRON MEMBERSHIP INTERESTS. Patron membership
73 10 interests shall be the only membership interest of a
73 11 cooperative unless nonpatron memberships are authorized under
73 12 subsection 2. If nonpatron interests are authorized, the
73 13 patron membership interests collectively shall have not less
73 14 than fifty percent of the cooperative's financial rights to
73 15 profit allocations and distributions. However, the
73 16 cooperative's articles or bylaws may be amended by the
73 17 affirmative vote of patron members to allow the cooperative's
73 18 financial rights to profit allocations and distributions to
73 19 patron members collectively to be a lesser amount but in no
73 20 case less than fifteen percent.

73 21 2. NONPATRONAGE MEMBERSHIP INTERESTS.

73 22 a. In order for a cooperative to have nonpatron membership
73 23 interests, the patron members must approve articles or bylaw
73 24 provisions authorizing the terms and conditions of the
73 25 nonpatron membership interests, which may include authorizing
73 26 the board to determine the terms and conditions of the
73 27 nonpatron membership interests.

73 28 b. If nonpatron membership interests are authorized, the
73 29 cooperative may solicit and issue nonpatron membership
73 30 interests on terms and conditions determined by the board and
73 31 disclosed in the articles, bylaws, or by separate disclosure
73 32 to the members. Each member acquiring nonpatron membership
73 33 interests shall sign a member control agreement or otherwise
73 34 agree to the conditions of the bylaws. The control agreement
73 35 or the bylaws shall describe the rights and obligations of the
74 1 member as it relates to the nonpatron membership interests,
74 2 the financial and governance rights, the transferability of
74 3 the nonpatron membership interests, the division and
74 4 allocation of profits and losses among the membership
74 5 interests and membership classes, and financial rights upon
74 6 liquidation. If the articles or bylaws do not otherwise
74 7 provide for the allocation of the profits and losses between
74 8 patron membership interests and nonpatron membership
74 9 interests, then the allocation of profits and losses among
74 10 nonpatron membership interests individually and patron
74 11 membership interests collectively shall be allocated on the
74 12 basis of the value of contributions to capital made according

74 13 to the patron membership interests collectively and the
74 14 nonpatron memberships interests individually to the extent the
74 15 contributions have been accepted by the cooperative.
74 16 Distributions of cash or other assets of the cooperative shall
74 17 be allocated among the membership interests as provided in the
74 18 articles or bylaws, subject to the provisions of this chapter.
74 19 If not otherwise provided in the articles or bylaws,
74 20 distributions shall be made on the basis of value of the
74 21 capital contributions of the patron membership interests
74 22 collectively and the nonpatron membership interests to the
74 23 extent the contributions have been accepted by the
74 24 cooperative.

74 25 3. AMOUNTS AND DIVISIONS OF MEMBERSHIP INTERESTS. The
74 26 authorized amount and divisions of patron membership interests
74 27 and, if authorized by the patron members, nonpatron membership
74 28 interest, may be increased, decreased, established, or altered
74 29 in accordance with the restrictions in this chapter by
74 30 amending the articles or bylaws at a regular members' meeting
74 31 or at a special members' meeting called for the purpose of the
74 32 amendment.

74 33 4. ISSUANCE OF MEMBERSHIP INTERESTS. Authorized
74 34 membership interests may be issued on terms and conditions
74 35 prescribed in the articles, bylaws, or if authorized in the
75 1 articles or bylaws as determined by the board. The
75 2 cooperative shall disclose to any person acquiring membership
75 3 interests to be issued by the cooperative, the organization,
75 4 capital structure, and known business prospects and risks of
75 5 the cooperative, the nature of the governance and financial
75 6 rights of the membership interest being acquired and of other
75 7 classes of membership and membership interests. The
75 8 cooperative shall notify all members of the membership
75 9 interests being issued by the cooperative. A membership
75 10 interest shall not be issued until subscription price of the
75 11 membership interest has been paid for in money or property
75 12 with the value of the property to be contributed approved by
75 13 the board.

75 14 5. TRANSFERRING OR SELLING MEMBERSHIP INTERESTS. After
75 15 issuance by the cooperative, membership interests in a
75 16 cooperative may only be sold or transferred with the approval
75 17 of the board. The board may adopt resolutions prescribing
75 18 procedures to prospectively approve transfers.

75 19 6. COOPERATIVE FIRST RIGHT TO PURCHASE MEMBERSHIP
75 20 INTERESTS. The articles or bylaws may provide that the
75 21 cooperative or the patron members, individually or
75 22 collectively, have the first privilege of purchasing the
75 23 membership interests of any class of membership interests
75 24 offered for sale. The first privilege to purchase membership
75 25 interests may be satisfied by notice to other members that the
75 26 membership interests are for sale and a procedure by which
75 27 members may proceed to attempt to purchase and acquire the
75 28 membership interests.

75 29 7. PAYMENT FOR DISSENTING MEMBERSHIP INTERESTS.
75 30 a. Subject to the provisions in the articles and bylaws, a
75 31 member may dissent from and obtain payment for the fair value
75 32 of the member's membership interests in the cooperative if all
75 33 of the following apply:

75 34 (1) The majority of the cooperative's member voting power
75 35 is held by different classes of interests.

76 1 (2) The articles or bylaws are amended or the cooperative
76 2 is merged or otherwise combined with another entity in a
76 3 manner that materially and adversely affects the rights and
76 4 preferences of the membership interests of the dissenting
76 5 member.

76 6 b. The dissenting member shall file a notice of intent to
76 7 demand fair value of the membership interest with the records
76 8 officer of the cooperative within thirty days after the
76 9 amendment by the bylaws and notice of the amendment to
76 10 members; otherwise, the right of the dissenting member to
76 11 demand payment of fair value for the membership interest is
76 12 waived. If a proposed amendment of the articles or bylaws
76 13 must be approved by the members, a member who is entitled to
76 14 dissent and who wishes to exercise dissenter's rights shall
76 15 file a notice to demand fair value of the membership interest
76 16 with the records officer of the cooperative; otherwise, the
76 17 right to demand fair value for the membership interest by the
76 18 dissenting member is waived. After receipt of the dissenting
76 19 member's demand notice and approval of the amendment, the
76 20 cooperative has sixty days to rescind the amendment, or
76 21 otherwise the cooperative shall remit the fair value for the
76 22 member's interest to the dissenting member by one hundred
76 23 eighty days after receipt of the notice. Upon receipt of the

76 24 fair value for the membership interest, the member has no
76 25 further member rights in the cooperative.

76 26 Sec. 67. NEW SECTION. 501A.902 ASSIGNMENT OF FINANCIAL
76 27 RIGHTS.

76 28 1. ASSIGNMENT OF FINANCIAL RIGHTS PERMITTED. Except as
76 29 provided in subsection 3, a member's financial rights are
76 30 transferable in whole or in part.

76 31 2. EFFECT OF ASSIGNMENT OF FINANCIAL RIGHTS. An
76 32 assignment of a member's financial rights entitles the
76 33 assignee to receive, to the extent assigned, only the share of
76 34 profits and losses and the distributions to which the assignor
76 35 would otherwise be entitled. An assignment of a member's
77 1 financial rights does not dissolve the cooperative and does
77 2 not entitle or empower the assignee to become a member, to
77 3 exercise any governance rights, to receive any notices from
77 4 the cooperative, or to cause dissolution. The assignment
77 5 shall not allow the assignee to control the member's exercise
77 6 of governance or voting rights.

77 7 3. RESTRICTIONS OF ASSIGNMENT OF FINANCIAL RIGHTS.

77 8 a. A restriction on the assignment of financial rights may
77 9 be imposed in the articles, in the bylaws, in a member control
77 10 agreement, by a resolution adopted by the members, by an
77 11 agreement among or other written action by the members, or by
77 12 an agreement among or other written action by the members and
77 13 the cooperative. A restriction is not binding with respect to
77 14 financial rights reflected in the required records before the
77 15 adoption of the restriction, unless the owners of those
77 16 financial rights are parties to the agreement or voted in
77 17 favor of the restriction.

77 18 b. Subject to paragraph "c", a written restriction on the
77 19 assignment of financial rights that is not manifestly
77 20 unreasonable under the circumstances and is noted
77 21 conspicuously in the required records may be enforced against
77 22 the owner of the restricted financial rights or a successor or
77 23 transferee of the owner, including a pledgee or a legal
77 24 representative. Unless noted conspicuously in the required
77 25 records, a restriction, even though permitted by this section,
77 26 is ineffective against a person without knowledge of the
77 27 restriction.

77 28 c. With regard to restrictions on the assignment of
77 29 financial rights, a would-be assignee of financial rights is
77 30 entitled to rely on a statement of membership interest issued
77 31 by the cooperative under section 501A.903. A restriction on
77 32 the assignment of financial rights, which is otherwise valid
77 33 and in effect at the time of the issuance of a statement of
77 34 membership interest but which is not reflected in that
77 35 statement, is ineffective against an assignee who takes an
78 1 assignment in reliance on the statement.

78 2 d. Notwithstanding any provision of law, articles, bylaws,
78 3 member control agreement, other agreement, resolution, or
78 4 action to the contrary, a security interest in a member's
78 5 financial rights may be foreclosed and otherwise enforced, and
78 6 a secured party may assign a member's financial rights in
78 7 accordance with the uniform commercial code, chapter 554,
78 8 without the consent or approval of the member whose financial
78 9 rights are subject to the security interest.

78 10 Sec. 68. NEW SECTION. 501A.903 NATURE OF A MEMBERSHIP
78 11 INTEREST AND STATEMENT OF INTEREST OWNED.

78 12 1. GENERALLY. A membership interest is personal property.
78 13 A member has no interest in specific cooperative property.
78 14 All property of the cooperative is property of the
78 15 cooperative.

78 16 2. STATEMENT OF MEMBERSHIP INTEREST. At the request of
78 17 any member, the cooperative shall state in writing the
78 18 particular membership interest owned by that member as of the
78 19 date the cooperative makes the statement. The statement must
78 20 describe the member's rights to vote, if any, to share in
78 21 profits and losses, and to share in distributions,
78 22 restrictions on assignments of financial rights under section
78 23 501A.902, subsection 3, or voting rights under section
78 24 501A.810 then in effect, as well as any assignment of the
78 25 member's rights then in effect other than a security interest.

78 26 3. TERMS OF MEMBERSHIP INTERESTS. All the membership
78 27 interests of a cooperative are subject to all of the
78 28 following:

78 29 a. Membership interests shall be of one class, without
78 30 series, unless the articles or bylaws establish or authorize
78 31 the board to establish more than one class or series within
78 32 classes.

78 33 b. Ordinary patron membership interests and, if
78 34 authorized, nonpatron membership interest subject to this

78 35 chapter are entitled to vote as provided in section 501A.810,
79 1 and have equal rights and preferences in all matters not
79 2 otherwise provided for by the board and to the extent that the
79 3 articles or bylaws have fixed the relative rights and
79 4 preferences of different classes and series.
79 5 c. Membership interests share profits and losses and are
79 6 entitled to distributions as provided in sections 501A.1005
79 7 and 501A.1006.

79 8 4. RIGHTS OF JUDGMENT CREDITOR. On application to a court
79 9 of competent jurisdiction by any judgment creditor of a
79 10 member, the court may charge a member's or an assignee's
79 11 financial rights with payment of the unsatisfied amount of the
79 12 judgment with interest. To the extent so charged, the
79 13 judgment creditor has only the rights of an assignee of a
79 14 member's financial rights under section 501A.902. This
79 15 chapter does not deprive any member or assignee of financial
79 16 rights of the benefit of any exemption laws applicable to the
79 17 membership interest. This section is the sole and exclusive
79 18 remedy of a judgment creditor with respect to the judgment
79 19 debtor's membership interest.

79 20 5. a. Subject to any restrictions in the articles or
79 21 bylaws, the power granted in this subsection may be exercised
79 22 by a resolution or resolutions establishing a class or series,
79 23 setting forth the designation of the class or series, and
79 24 fixing the relative rights and preferences of the class or
79 25 series. Any of the rights and preferences of a class or
79 26 series established in the articles, bylaws, or by resolution
79 27 of the board may do any of the following:

79 28 (1) Be made dependent upon facts ascertainable outside the
79 29 articles or bylaws or outside the resolution or resolutions
79 30 establishing the class or series, if the manner in which the
79 31 facts operate upon the rights and preferences of the class or
79 32 series is clearly and expressly set forth in the articles or
79 33 bylaws or in the resolution or resolutions establishing the
79 34 class or series.

79 35 (2) Include by reference some or all of the terms of any
80 1 agreements, contracts, or other arrangements entered into by
80 2 the cooperative in connection with the establishment of the
80 3 class or series if the cooperative retains at its principal
80 4 executive office a copy of the agreements, contracts, or other
80 5 arrangements or the portions will be included by reference.

80 6 b. A statement setting forth the name of the cooperative
80 7 and the text of the resolution and certifying the adoption of
80 8 the resolution and the date of adoption must be given to the
80 9 members before the acceptance of any contributions for which
80 10 the resolution creates rights or preferences not set forth in
80 11 the articles or bylaws. Where the members have received
80 12 notice of the creation of membership interests with rights or
80 13 preferences not set forth in the articles or bylaws before the
80 14 acceptance of the contributions with respect to the membership
80 15 interests, the statement may be filed anytime within one year
80 16 after the acceptance of the contributions. The resolution is
80 17 effective three days after delivery to the members is deemed
80 18 effective by the board, or, if the statement is not required
80 19 to be given to the members before the acceptance of
80 20 contributions, on the date of its adoption by the directors.

80 21 6. SPECIFIC TERMS. Without limiting the authority granted
80 22 in this section, in regulating the membership interests of a
80 23 class or series, a cooperative may do any of the following:

80 24 a. Subject to the right of the cooperative to redeem any
80 25 of those membership interests at the price fixed for their
80 26 redemption by the articles or bylaws or by the board.

80 27 b. Entitle the members to receive cumulative, partially
80 28 cumulative, or noncumulative distributions.

80 29 c. Provide a preference over any class or series of
80 30 membership interests for the payment of distributions of any
80 31 or all kinds.

80 32 d. Convert into membership interests of any other class or
80 33 any series of the same or another class.

80 34 e. Provide full, partial, or no voting rights, except as
80 35 provided in section 501A.810.

81 1 7. GRANT OF A SECURITY INTEREST. For the purpose of any
81 2 law relating to security interests, membership interests,
81 3 governance or voting rights, and financial rights are each to
81 4 be characterized as provided in section 554.8103, subsection
81 5 3.

81 6 8. POWERS OF ESTATE OF A DECEASED OR INCOMPETENT MEMBER.
81 7 a. If a member who is an individual dies or a court of
81 8 competent jurisdiction adjudges the member to be incompetent
81 9 to manage the member's person or property, or an order for
81 10 relief under the bankruptcy code is entered with respect to

81 11 the member, the member's executor, administrator, guardian,
81 12 conservator, trustee, or other legal representative may
81 13 exercise all of the member's rights for the purpose of
81 14 settling the estate or administering the member's property.
81 15 If a member is a business entity, trust, or other entity and
81 16 is dissolved, terminated, or placed by a court in receivership
81 17 or bankruptcy, the powers of that member may be exercised by
81 18 its legal representative or successor.

81 19 b. If an event referred to in paragraph "a" causes the
81 20 termination of a member's membership interest and the
81 21 termination does not result in dissolution, then, subject to
81 22 the articles and bylaws, all of the following apply:

81 23 (1) As provided in section 501A.902, the terminated
81 24 member's interest will be considered to be merely that of an
81 25 assignee of the financial rights owned before the termination
81 26 of membership.

81 27 (2) The rights to be exercised by the legal representative
81 28 of the terminated member shall be limited accordingly.

81 29 9. LIABILITY OF SUBSCRIBERS AND MEMBERS WITH RESPECT TO
81 30 MEMBERSHIP INTERESTS. A person who subscribes to or owns a
81 31 membership interest in a cooperative is under no obligation to
81 32 the cooperative or its creditors with respect to the
81 33 membership interests subscribed for or owned, except to pay to
81 34 the cooperative the full consideration for which the
81 35 membership interests are issued or to be issued.

82 1 Sec. 69. NEW SECTION. 501A.904 CERTIFICATED MEMBERSHIP
82 2 INTERESTS.

82 3 1. CERTIFICATED == UNCERTIFICATED. The membership
82 4 interests of a cooperative shall be either certificated or
82 5 uncertificated. Each holder of certificated membership
82 6 interests issued is entitled to a certificate of membership
82 7 interest.

82 8 2. SIGNATURE REQUIRED. Certificates shall be signed by an
82 9 agent or officer authorized in the articles or bylaws to sign
82 10 share certificates or, in the absence of an authorization, by
82 11 the chairperson or records officer of the cooperative.

82 12 3. SIGNATURE VALID. If a person signs or has a facsimile
82 13 signature placed upon a certificate while the chairperson, an
82 14 officer, transfer agent, or records officer of a cooperative,
82 15 the certificate may be issued by the cooperative, even if the
82 16 person has ceased to have that capacity before the certificate
82 17 is issued, with the same effect as if the person had that
82 18 capacity at the date of its issue.

82 19 4. FORM OF CERTIFICATE. A certificate representing
82 20 membership interests of a cooperative shall contain on its
82 21 face all of the following:

82 22 a. The name of the cooperative.

82 23 b. A statement that the cooperative is organized under the
82 24 laws of this state and this chapter.

82 25 c. The name of the person to whom the certificate is
82 26 issued.

82 27 d. The number and class of membership interests, and the
82 28 designation of the series, if any, that the certificate
82 29 represents.

82 30 e. A statement that the membership interests in the
82 31 cooperative are subject to the articles and bylaws of the
82 32 cooperative.

82 33 f. Any restrictions on transfer, including approval of the
82 34 board, if applicable, first rights of purchase by the
82 35 cooperative, and other restrictions on transfer, which may be
83 1 stated by reference to the back of the certificate or to
83 2 another document.

83 3 5. LIMITATIONS SET FORTH. A certificate representing
83 4 membership interests issued by a cooperative authorized to
83 5 issue membership interests of more than one class or series
83 6 shall set forth upon the face or back of the certificate, or
83 7 shall state that the cooperative will furnish to any member
83 8 upon request and without charge, a full statement of the
83 9 designations, preferences, limitations, and relative rights of
83 10 the membership interests of each class or series authorized to
83 11 be issued, so far as they have been determined, and the
83 12 authority of the board to determine the relative rights and
83 13 preferences of subsequent classes or series.

83 14 6. PRIMA FACIE EVIDENCE. A certificate signed as provided
83 15 in subsection 2 is prima facie evidence of the ownership of
83 16 the membership interests referred to in the certificate.

83 17 7. UNCERTIFICATED MEMBERSHIP INTERESTS. Unless
83 18 uncertificated membership interests are prohibited by the
83 19 articles or bylaws, a resolution approved by the affirmative
83 20 vote of a majority of the directors present may provide that
83 21 some or all of any or all classes and series of its membership

83 22 interests will be uncertificated membership interests.
83 23 The resolution does not apply to membership interests
83 24 represented by a certificate until the certificate is
83 25 surrendered to the cooperative. Within a reasonable time
83 26 after the issuance or transfer of uncertificated membership
83 27 interests, the cooperative shall send to the new member the
83 28 information required by this section to be stated on
83 29 certificates. This information is not required to be sent to
83 30 the new holder by a publicly held cooperative that has adopted
83 31 a system of issuance, recordation, and transfer of its
83 32 membership interests by electronic or other means not
83 33 involving an issuance of certificates if the system complies
83 34 with section 17A of the Securities Exchange Act of 1934, 15
83 35 U.S.C. } 78a et seq. Except as otherwise expressly provided
84 1 by statute, the rights and obligations of the holders of
84 2 certificated and uncertificated membership interests of the
84 3 same class and series are identical.

84 4 Sec. 70. NEW SECTION. 501A.905 LOST CERTIFICATES ==
84 5 REPLACEMENT.
84 6 1. ISSUANCE. A new membership interest certificate may be
84 7 issued under section 554.8405 in place of one that is alleged
84 8 to have been lost, stolen, or destroyed.

84 9 2. NOT OVERISSUE. The issuance of a new certificate under
84 10 this section does not constitute an overissue of the
84 11 membership interests the new certificate represents.

84 12 Sec. 71. NEW SECTION. 501A.906 RESTRICTION ON TRANSFER
84 13 OR REGISTRATION OF MEMBERSHIP INTERESTS.

84 14 1. HOW IMPOSED. A restriction on the transfer or
84 15 registration of transfer of membership interests of a
84 16 cooperative may be imposed in the articles, in the bylaws, by
84 17 a resolution adopted by the members, or by an agreement among
84 18 or other written action by a number of members or holders of
84 19 other membership interests or among them and the cooperative.
84 20 A restriction is not binding with respect to membership
84 21 interests issued prior to the adoption of the restriction,
84 22 unless the holders of those membership interests are parties
84 23 to the agreement or voted in favor of the restriction.

84 24 2. RESTRICTIONS PERMITTED. A written restriction on the
84 25 transfer or registration of transfer of membership interests
84 26 of a cooperative that is not manifestly unreasonable under the
84 27 circumstances may be enforced against the holder of the
84 28 restricted membership interests or a successor or transferee
84 29 of the holder, including a pledgee or a legal representative,
84 30 if the restriction is any of the following:

- 84 31 a. Noted conspicuously on the face or back of the
84 32 certificate.
- 84 33 b. Included in this chapter or the articles or bylaws.
- 84 34 c. Included in information sent to the holders of
84 35 uncertificated membership interests.

85 1 Unless otherwise restricted by this chapter, the articles,
85 2 bylaws, noted conspicuously on the face or back of the
85 3 certificate, or included in information sent to the holders of
85 4 uncertificated membership interests, a restriction, even
85 5 though permitted by this section, is ineffective against a
85 6 person without knowledge of the restriction. A restriction
85 7 under this section is deemed to be noted conspicuously and is
85 8 effective if the existence of the restriction is stated on the
85 9 certificate and reference is made to a separate document
85 10 creating or describing the restriction.

85 11 SUBCHAPTER 10
85 12 CONTRIBUTIONS, ALLOCATIONS, AND DISTRIBUTIONS

85 13 Sec. 72. NEW SECTION. 501A.1001 AUTHORIZATION, FORM, AND
85 14 ACCEPTANCE OF CONTRIBUTIONS.

85 15 1. Subject to any restrictions in this chapter regarding
85 16 patron and nonpatron membership interests or in the articles
85 17 or bylaws, and only when authorized by the board, a
85 18 cooperative may accept contributions, which may be patron or
85 19 nonpatron membership contributions as determined by the board
85 20 under subsections 2 and 3, make contribution agreements under
85 21 section 501A.1003, and make contribution rights agreements
85 22 under section 501A.1004.

85 23 2. PERMISSIBLE FORMS. A person may make a contribution to
85 24 a cooperative by any of following:

- 85 25 a. Paying money or transferring the ownership of an
85 26 interest in property to the cooperative or rendering services
85 27 to or for the benefit of the cooperative.
- 85 28 b. Executing a written obligation signed by the person to
85 29 pay money or transfer ownership of an interest in property to
85 30 the cooperative or to perform services to or for the benefit
85 31 of the cooperative.

85 32 3. A purported contribution shall not be treated or

85 33 considered as a contribution, unless all of the following
85 34 apply:

85 35 a. The board accepts the contribution on behalf of the
86 1 cooperative and in that acceptance describes the contribution,
86 2 including terms of future performance, if any, and states the
86 3 value being accorded to the contribution.

86 4 b. The fact of contribution and the contribution's
86 5 accorded value are both reflected in the required records of
86 6 the cooperative.

86 7 4. The determinations of the board as to the amount or
86 8 fair value or the fairness to the cooperative of the
86 9 contribution accepted or to be accepted by the cooperative or
86 10 the terms of payment or performance, including under a
86 11 contribution rights in section 501A.1003, and a contribution
86 12 rights agreement in section 501A.1004, are presumed to be
86 13 proper if they are made in good faith and on the basis of
86 14 accounting methods, or a fair valuation or other method,
86 15 reasonable in the circumstances. Directors who are present
86 16 and entitled to vote, and who, intentionally or without
86 17 reasonable investigation, fail to vote against approving a
86 18 consideration that is unfair to the cooperative, or overvalue
86 19 property or services received or to be received by the
86 20 cooperative as a contribution, are jointly and severally
86 21 liable to the cooperative for the benefit of the then members
86 22 who did not consent to and are damaged by the action to the
86 23 extent of the damages of those members. A director against
86 24 whom a claim is asserted under this subsection, except in case
86 25 of knowing participation in a deliberate fraud, is entitled to
86 26 contribution on an equitable basis from other directors who
86 27 are liable under this subsection.

86 28 Sec. 73. NEW SECTION. 501A.1002 RESTATEMENT OF VALUE OF
86 29 PREVIOUS CONTRIBUTIONS.

86 30 1. DEFINITION. As used in this section, an "old
86 31 contribution" is a contribution reflected in the required
86 32 records of a cooperative before the time the cooperative
86 33 accepts a new contribution.

86 34 2. RESTATEMENT REQUIRED. Whenever a cooperative accepts a
86 35 new contribution, the board shall restate, as required by this
87 1 section, the value of all old contributions.

87 2 3. RESTATEMENT AS TO PARTICULAR SERIES OR CLASS TO WHICH
87 3 NEW CONTRIBUTION PERTAINS.

87 4 a. Unless otherwise provided in a cooperative's articles
87 5 or bylaws, this subsection sets forth the method of restating
87 6 the value of old contributions that pertain to the same series
87 7 or class to which the new contribution pertains. In restating
87 8 the value, the cooperative shall do all of the following:

87 9 (1) State the value the cooperative has accorded to the
87 10 new contribution under section 504A.1001, subsection 3,
87 11 paragraph "a".

87 12 (2) Determine what percentage the value stated under
87 13 subparagraph (1) will constitute, after the restatement
87 14 required by this subsection, of the total value of all
87 15 contributions that pertain to the particular series or class
87 16 to which the new contribution pertains.

87 17 (3) Divide the value stated under subparagraph (1) by the
87 18 percentage determined under subparagraph (2), yielding the
87 19 total value, after the restatement required by this
87 20 subsection, of all contributions pertaining to the particular
87 21 series or class.

87 22 (4) Subtract the value stated under subparagraph (1) from
87 23 the value determined under subparagraph (3), yielding the
87 24 total value, after the restatement required by this
87 25 subsection, of all the old contributions pertaining to the
87 26 particular series or class.

87 27 (5) Subtract the value, as reflected in the required
87 28 records before the restatement required by this subsection, of
87 29 the old contributions from the value determined under
87 30 subparagraph (4), yielding the value to be allocated among and
87 31 added to the old contributions pertaining to the particular
87 32 series or class.

87 33 (6) Allocate the value determined under subparagraph (5)
87 34 proportionally among the old contributions pertaining to the
87 35 particular series or class, add the allocated values to those
88 1 old contributions, and change the required records
88 2 accordingly.

88 3 b. The values determined under paragraph "a", subparagraph
88 4 (5), and allocated and added under paragraph "a", subparagraph
88 5 (6), may be positive, negative, or zero.

88 6 4. RESTATEMENT METHOD FOR OTHER SERIES OR CLASS. Unless
88 7 otherwise provided in a cooperative's articles or bylaws, this
88 8 subsection sets forth the method of restating the value of old

88 9 contributions that do not pertain to the same series or class
88 10 to which the new contribution pertains. In restating the
88 11 value, the cooperative shall do all of the following:
88 12 a. Determine the percentage by which the restatement under
88 13 subsection 3 has changed the total contribution value
88 14 reflected in the required records for the series or class to
88 15 which the new contribution pertains.
88 16 b. As to each old contribution that does not pertain to
88 17 the same series or class to which the new contribution
88 18 pertains, change the value reflected in the required records
88 19 by the percentage determined under paragraph "a". The
88 20 percentage determined under paragraph "a" may be positive,
88 21 negative, or zero.

88 22 5. NEW CONTRIBUTIONS MAY BE AGGREGATED. If a cooperative
88 23 accepts more than one contribution pertaining to the same
88 24 series or class at the same time, then for the purpose of the
88 25 restatement required by this section, the cooperative may
88 26 consider all the new contributions a single contribution.

88 27 Sec. 74. NEW SECTION. 501A.1003 CONTRIBUTION AGREEMENTS.
88 28 1. SIGNED WRITING. A contribution agreement, whether made
88 29 before or after the formation of the cooperative, is not
88 30 enforceable against the would-be contributor unless it is in
88 31 writing and signed by the would-be contributor.

88 32 2. IRREVOCABLE PERIOD. Unless otherwise provided in the
88 33 contribution agreement, or unless all of the would-be
88 34 contributors and, if in existence, the cooperative, consent to
88 35 a shorter or longer period, a contribution agreement is
89 1 irrevocable for a period of six months.

89 2 3. CURRENT AND DEFERRED PAYMENT. A contribution
89 3 agreement, whether made before or after the formation of a
89 4 cooperative, must be paid or performed in full at the time or
89 5 times, or in the installments, if any, specified in the
89 6 contribution agreement. In the absence of a provision in the
89 7 contribution agreement specifying the time at which the
89 8 contribution is to be paid or performed, the contribution must
89 9 be paid or performed at the time or times determined by the
89 10 board. However, a call made by the board for payment or
89 11 performance on contributions must be uniform for all
89 12 membership interests of the same class or for all membership
89 13 interests of the same series.

89 14 4. FAILURE TO PAY REMEDIES.
89 15 a. Unless otherwise provided in the contribution
89 16 agreement, in the event of default in the payment or
89 17 performance of an installment or call when due, the
89 18 cooperative may proceed to collect the amount due in the same
89 19 manner as a debt due the cooperative. If a would-be
89 20 contributor does not make a required contribution of property
89 21 or services, the cooperative shall require the would-be
89 22 contributor to contribute cash equal to that portion of the
89 23 value, as stated in the cooperative's required records, of the
89 24 contribution that has not been made.

89 25 b. If the amount due under a contribution agreement
89 26 remains unpaid for a period of twenty days after written
89 27 notice of demand for payment has been given to the delinquent
89 28 would-be contributor, the membership interests that were
89 29 subject to the contribution agreement may be offered for sale
89 30 by the cooperative for a price in money equaling or exceeding
89 31 the sum of the full balance owed by the delinquent would-be
89 32 contributor plus the expenses incidental to the sale.

89 33 If the membership interests that were subject to the
89 34 contribution agreement are sold according to this paragraph
89 35 "b", the cooperative shall pay to the delinquent would-be
90 1 contributor or to the delinquent would-be contributor's legal
90 2 representative the lesser of one of the following:

90 3 (1) The excess of net proceeds realized by the cooperative
90 4 over the sum of the amount owed by the delinquent would-be
90 5 contributor plus the expenses incidental to the sale, less any
90 6 penalty stated in the contribution agreement, which may
90 7 include forfeiture of the partial contribution.

90 8 (2) The amount actually paid by the delinquent would-be
90 9 contributor.

90 10 If the membership interests that were subject to the
90 11 contribution agreement are not sold according to this
90 12 paragraph "b", the cooperative may collect the amount due in
90 13 the same manner as a debt due the cooperative or cancel the
90 14 contribution agreement according to paragraph "c".

90 15 c. If the amount due under a contribution agreement
90 16 remains unpaid for a period of twenty days after written
90 17 notice of demand for payment has been given to the delinquent
90 18 would-be contributor and the membership interests that were
90 19 subject to the defaulted contribution agreement have not been

90 20 sold according to paragraph "b", the cooperative may cancel
90 21 the contribution agreement. In addition, the cooperative may
90 22 retain any portion of the contribution agreement price
90 23 actually paid as provided in the contribution agreement. The
90 24 cooperative shall refund to the delinquent would-be
90 25 contributor or the delinquent would-be contributor's legal
90 26 representatives any portion of the contribution agreement
90 27 price as provided in the contribution agreement.

90 28 5. RESTRICTIONS ON ASSIGNMENT. Unless otherwise provided
90 29 in the articles or bylaws, a would-be contributor's rights
90 30 under a contribution agreement shall not be assigned, in whole
90 31 or in part, to a person who was not a member at the time of
90 32 the assignment, unless all the members approve the assignment
90 33 by unanimous written consent.

90 34 Sec. 75. NEW SECTION. 501A.1004 CONTRIBUTION RIGHTS
90 35 AGREEMENTS.

91 1 1. AGREEMENTS PERMITTED. Subject to any restrictions in a
91 2 cooperative's articles or bylaws, the cooperative may enter
91 3 into contribution rights agreements under the terms,
91 4 provisions, and conditions established by board resolution.

91 5 2. WRITING REQUIRED AND TERMS TO BE STATED. Any
91 6 contribution rights agreement must be in writing and the
91 7 writing must state in full, summarize, or include by reference
91 8 all the agreement's terms, provisions, and conditions of the
91 9 rights to make contributions.

91 10 3. RESTRICTIONS ON ASSIGNMENT. Unless otherwise provided
91 11 in a cooperative's articles or bylaws, a would-be
91 12 contributor's rights under a contribution rights agreement
91 13 shall not be assigned, in whole or in part, to a person who
91 14 was not a member at the time of the assignment, unless all the
91 15 members approve the assignment by unanimous written consent.

91 16 Sec. 76. NEW SECTION. 501A.1005 ALLOCATIONS AND
91 17 DISTRIBUTIONS TO MEMBERS.

91 18 1. ALLOCATION OF PROFITS AND LOSSES. If nonpatron
91 19 membership interests are authorized by the patrons, the bylaws
91 20 shall prescribe the allocation of profits and losses between
91 21 patron membership interests collectively and any other
91 22 membership interests. If the bylaws do not otherwise provide,
91 23 the profits and losses between patron membership interests
91 24 collectively and other membership interests shall be allocated
91 25 on the basis of the value of contributions to capital made by
91 26 the patron membership interests collectively and other
91 27 membership interests accepted by the cooperative. The
91 28 allocation of profits to the patron membership interests
91 29 collectively shall not be less than fifty percent of the total
91 30 profits in any fiscal year, except if authorized in the
91 31 original articles as filed, in the cooperative's articles or
91 32 bylaws that are adopted by an affirmative vote of the patron
91 33 members, or in the articles or bylaws as amended by the
91 34 affirmative vote of the patron members. However, the
91 35 allocation of profits to the patron membership interests
92 1 collectively shall not be less than fifteen percent of the
92 2 total profits in any fiscal year.

92 3 2. DISTRIBUTION OF CASH OR OTHER ASSETS. A cooperative's
92 4 bylaws shall prescribe the distribution of cash or other
92 5 assets of the cooperative among the membership interests of
92 6 the cooperative. If nonpatron membership interests are
92 7 authorized by the patrons and the bylaws do not provide
92 8 otherwise, distributions and allocations shall be made to the
92 9 patron membership interests collectively and other members on
92 10 the basis of the value of contributions to capital made and
92 11 accepted by the cooperative, by the patron membership
92 12 interests collectively, and other membership interests. The
92 13 distributions to patron membership interests collectively
92 14 shall not be less than fifty percent of the total
92 15 distributions in any fiscal year, except if authorized in the
92 16 articles or bylaws adopted by the affirmative vote of the
92 17 patron members, or the articles or bylaws as amended by the
92 18 affirmative vote of the patron members. However, the
92 19 distributions to patron membership interests collectively
92 20 shall not be less than fifteen percent of the total
92 21 distributions in any fiscal year.

92 22 Sec. 77. NEW SECTION. 501A.1006 ALLOCATIONS AND
92 23 DISTRIBUTIONS TO PATRON MEMBERS.

92 24 1. DISTRIBUTION OF NET INCOME. A cooperative may set
92 25 aside a portion of net income allocated to the patron
92 26 membership interests as the board determines advisable to
92 27 create or maintain a capital reserve.

92 28 2. RESERVES. In addition to a capital reserve, the board
92 29 may, for patron membership interests, do any of the following:
92 30 a. Set aside an amount not to exceed five percent of the

92 31 annual net income of the cooperative for promoting and
92 32 encouraging cooperative organization.

92 33 b. Establish and accumulate reserves for new buildings,
92 34 machinery and equipment, depreciation, losses, and other
92 35 proper purposes.

93 1 3. PATRONAGE DISTRIBUTIONS. Net income allocated to
93 2 patron members in excess of dividends on equity and additions
93 3 to reserves shall be distributed to patron members on the
93 4 basis of patronage. A cooperative may establish allocation
93 5 units, whether the units are functional, divisional,
93 6 departmental, geographic, or otherwise. The cooperative may
93 7 provide for pooling arrangements. The cooperative may account
93 8 for and distribute net income to patrons on the basis of
93 9 allocation units and pooling arrangements. A cooperative may
93 10 offset the net loss of an allocation unit or pooling
93 11 arrangement against the net income of other allocation units
93 12 or pooling arrangements.

93 13 4. FREQUENCY OF DISTRIBUTION. A distribution of net
93 14 income shall be made at least annually. The board shall
93 15 present to the members at their annual meeting a report
93 16 covering the operations of the cooperative during the
93 17 preceding fiscal year.

93 18 5. FORM OF DISTRIBUTION. A cooperative may distribute net
93 19 income to patron members in cash, capital credits, allocated
93 20 patronage equities, revolving fund certificates, or its own or
93 21 other securities.

93 22 6. ELIGIBLE NONMEMBER PATRONS. A cooperative may provide
93 23 in the bylaws that nonmember patrons are allowed to
93 24 participate in the distribution of net income, payable to
93 25 patron members on equal terms with patron members.

93 26 7. PATRONAGE CREDITS FOR INELIGIBLE MEMBERS. If a
93 27 nonmember patron with patronage credits is not qualified or
93 28 eligible for membership, a refund due may be credited to the
93 29 nonmember patron's individual account. The board may issue a
93 30 certificate of interest to reflect the credited amount. After
93 31 the nonmember patron is issued a certificate of interest, the
93 32 nonmember patron may participate in the distribution of income
93 33 on the same basis as a patron member.

93 34 Sec. 78. NEW SECTION. 501A.1007 MEMBER CONTROL
93 35 AGREEMENTS.

94 1 1. AUTHORIZATION. A written agreement among persons who
94 2 are then members, including a sole member, or who have signed
94 3 subscription or contribution agreements, relating to the
94 4 control of any phase of the business and affairs of the
94 5 cooperative, its liquidation, dissolution and termination, or
94 6 the relations among members or persons who have signed
94 7 subscription or contribution agreements is valid as provided
94 8 in subsection 2. Other than the authorization of nonpatron
94 9 membership interests as provided in section 501A.901 and
94 10 nonpatron voting rights as provided in section 501A.810,
94 11 whenever this chapter provides that a particular result may or
94 12 must be obtained through a provision in a cooperative's
94 13 articles or bylaws, the same result can be accomplished
94 14 through a member control agreement valid under this section or
94 15 through a procedure established by a member control agreement
94 16 valid under this section. Any result accomplished through a
94 17 membership control agreement under this section must be
94 18 properly disclosed as provided in section 501A.910.

94 19 2. VALID EXECUTION. Other than patron member voting
94 20 control under section 501A.810 and patron member allocation
94 21 and distribution provisions under sections 501A.1005 and
94 22 501A.1006, a written agreement among persons described in
94 23 subsection 1 that relates to the control of or the
94 24 liquidation, dissolution, and termination of the cooperative,
94 25 the relations among them, or any phase of the business and
94 26 affairs of the cooperative is valid if it meets the
94 27 requirements of this subsection. This includes but is not
94 28 limited to the management of its business, the declaration and
94 29 payment of distributions, the sharing of profits and losses,
94 30 the election of directors, the employment of members by the
94 31 cooperative, or the arbitration of disputes. The written
94 32 agreement must be signed by all persons who are then the
94 33 members of the cooperative, whether or not the members all
94 34 have voting power, and all those who have signed contribution
94 35 agreements, regardless of whether those signatories will, when
95 1 members, have voting power.

95 2 3. OTHER AGREEMENTS NOT AFFECTED. This section does not
95 3 apply to, limit, or restrict agreements otherwise valid, nor
95 4 is the procedure set forth in this section the exclusive
95 5 method of agreement among members or between the members and
95 6 the cooperative with respect to any of the matters described.

95 7 Sec. 79. NEW SECTION. 501A.1008 DISTRIBUTION OF
95 8 ABANDONED PROPERTY.

95 9 1. ALTERNATE PROCEDURE TO DISBURSE PROPERTY. A
95 10 cooperative may, in lieu of paying or delivering to the state
95 11 abandoned property specified in its report of abandoned
95 12 property as provided in chapter 556, distribute the abandoned
95 13 property to a business entity or organization that is exempt
95 14 from taxation. A cooperative making the election to
95 15 distribute unclaimed property shall file with the secretary
95 16 all of the following:

95 17 a. A verified written explanation of the proof of claim of
95 18 an owner establishing a right to receive the abandoned
95 19 property.

95 20 b. Any error in the presumption of abandonment.

95 21 c. The name, address, and exemption number of the business
95 22 entity or organization to which the property was or is to be
95 23 distributed.

95 24 d. The approximate date of distribution.

95 25 2. REPORTING AND CLAIMING PROCEDURE NOT AFFECTED. This
95 26 section does not alter the procedure provided by law for
95 27 cooperatives to report abandoned property to the treasurer of
95 28 state and the requirement that claims of owners are made to
95 29 the cooperatives for a period following the publication of
95 30 lists of abandoned property.

95 31 3. OWNER'S RIGHT EXTINGUISHED ON DISBURSEMENT. The right
95 32 of an owner to abandoned property held by a cooperative is
95 33 extinguished when the property is disbursed by the cooperative
95 34 to a tax-exempt organization in accordance with this section.

95 35 SUBCHAPTER 11
96 1 MERGER AND CONVERSION

96 2 Sec. 80. NEW SECTION. 501A.1101 MERGER AND
96 3 CONSOLIDATION.

96 4 1. AUTHORIZATION. Unless otherwise prohibited,
96 5 cooperatives organized under the laws of this state, including
96 6 cooperatives organized under this chapter or traditional
96 7 cooperatives, may merge or consolidate with each other, an
96 8 Iowa limited liability company under the provisions of section
96 9 490A.1207, or other business entities organized under the laws
96 10 of another state by complying with the provisions of this
96 11 section and the law of the state where the surviving or new
96 12 business entity will exist. A cooperative shall not merge or
96 13 consolidate with a business entity organized under the laws of
96 14 this state, other than a traditional cooperative unless the
96 15 law governing the business entity expressly authorizes merger
96 16 or consolidation with a cooperative. This subsection does not
96 17 authorize a foreign business entity to do any act not
96 18 authorized by the law governing the foreign business entity.

96 19 2. PLAN. To initiate a merger or consolidation of a
96 20 cooperative, a written plan of merger or consolidation shall
96 21 be prepared by the board or by a committee selected by the
96 22 board to prepare a plan. The plan shall state all of the
96 23 following:

96 24 a. The names of the constituent domestic cooperative, the
96 25 name of any Iowa limited liability company that is a party to
96 26 the merger, to the extent authorized under section 490A.1207,
96 27 and any foreign business entities.

96 28 b. The name of the surviving or new domestic cooperative,
96 29 Iowa limited liability company as required by section
96 30 490A.1207, or other foreign business entity.

96 31 c. The manner and basis of converting membership or
96 32 ownership interests of the constituent domestic cooperative,
96 33 the surviving Iowa limited liability company as provided in
96 34 section 490A.1207, or foreign business entity into membership
96 35 or ownership interests in the surviving or new domestic
97 1 cooperative, the surviving Iowa limited liability company as
97 2 authorized in section 490A.1207, or foreign business entity.

97 3 d. The terms of the merger or consolidation.

97 4 e. The proposed effect of the merger or consolidation on
97 5 the members and patron members of each constituent domestic
97 6 cooperative.

97 7 f. For a consolidation, the plan shall contain the
97 8 articles of the entity or organizational documents to be filed
97 9 with the state in which the entity is organized or, if the
97 10 surviving organization is an Iowa limited liability company,
97 11 the articles of organization.

97 12 3. NOTICE. The following shall apply to notice:

97 13 a. The board shall mail or otherwise transmit or deliver
97 14 notice of the merger or consolidation to each member. The
97 15 notice shall contain the full text of the plan, and the time
97 16 and place of the meeting at which the plan will be considered.

97 17 b. A cooperative with more than two hundred members may

97 18 provide the notice in the same manner as a regular members'
97 19 meeting notice.

97 20 4. ADOPTION OF PLAN.

97 21 a. A plan of merger or consolidation shall be adopted by a
97 22 domestic cooperative as provided in this subsection.

97 23 b. The plan of merger or consolidation is adopted if all
97 24 of the following apply:

97 25 (1) A quorum of the members eligible to vote is registered
97 26 as being present or represented by mail vote or alternative
97 27 ballot at the meeting.

97 28 (2) The plan is approved by the patron members, or if
97 29 otherwise provided in the articles or bylaws, is approved by a
97 30 majority of the votes cast in each class of votes cast. For a
97 31 domestic cooperative with articles or bylaws requiring more
97 32 than a majority of the votes cast or other conditions for
97 33 approval, the plan must be approved by a proportion of the
97 34 votes cast or a number of total members as required by the
97 35 articles or bylaws and the conditions for approval in the

98 1 articles or bylaws have been satisfied.

98 2 c. After the plan has been adopted, articles of merger or
98 3 consolidation stating the plan and that the plan was adopted
98 4 according to this subsection shall be signed by the
98 5 chairperson, vice chairperson, records officer, or documents
98 6 officer of each cooperative merging or consolidating.

98 7 d. The articles of merger or consolidation shall be filed
98 8 in the office of the secretary.

98 9 e. For a merger, the articles of the surviving domestic
98 10 cooperative subject to this chapter are deemed amended to the
98 11 extent provided in the articles of merger.

98 12 f. Unless a later date is provided in the plan, the merger
98 13 or consolidation is effective when the articles of merger or
98 14 consolidation are filed in the office of the secretary or the
98 15 appropriate office of another jurisdiction.

98 16 g. The secretary shall issue a certificate of organization
98 17 of the merged or consolidated cooperative.

98 18 5. EFFECT OF MERGER. For a merger that does not involve
98 19 an Iowa limited liability company, the following shall apply
98 20 to the effect of a merger:

98 21 a. After the effective date, the domestic cooperative,
98 22 Iowa limited liability company, if party to the plan, and any
98 23 foreign business entity that is a party to the plan become a
98 24 single entity. For a merger, the surviving business entity is
98 25 the business entity designated in the plan. For a
98 26 consolidation, the new domestic cooperative, the Iowa limited
98 27 liability company, if any, and any foreign business entity is
98 28 the business entity provided for in the plan. Except for the
98 29 surviving or new domestic cooperative, Iowa limited liability
98 30 company, or foreign business entity, the separate existence of
98 31 each merged or consolidated domestic or foreign business
98 32 entity that is a party to the plan ceases on the effective
98 33 date of the merger or consolidation.

98 34 b. The surviving or new domestic cooperative, Iowa limited
98 35 liability company, or foreign business entity possesses all of
99 1 the rights and property of each of the merged or consolidated
99 2 business entities and is responsible for all their
99 3 obligations. The title to property of the merged or
99 4 consolidated domestic cooperative, Iowa limited liability
99 5 company, or foreign business entity is vested in the surviving
99 6 or new domestic cooperative, Iowa limited liability company,
99 7 or foreign business entity without reversion or impairment of
99 8 the title caused by the merger or consolidation.

99 9 c. If a merger involves an Iowa limited liability company,
99 10 this subsection is subject to the provisions of section
99 11 490A.1207.

99 12 Sec. 81. NEW SECTION. 501A.1102 MERGER OF SUBSIDIARY.

99 13 1. WHEN AUTHORIZED == CONTENTS OF PLAN. For purposes of
99 14 this section, "subsidiary" means a domestic cooperative, an
99 15 Iowa limited liability company, or a foreign cooperative.

99 16 2. An Iowa limited liability company may only participate
99 17 in a merger under this section to the extent authorized under
99 18 section 490A.1207. A parent domestic cooperative or a
99 19 subsidiary that is a domestic cooperative may complete the
99 20 merger of a subsidiary as provided in this section. However,
99 21 if either the parent cooperative or the subsidiary is a
99 22 business entity organized under the laws of this state, the
99 23 merger of the subsidiary is not authorized under this section
99 24 unless the law governing the business entity expressly
99 25 authorizes merger with a cooperative.

99 26 a. A parent cooperative owning at least ninety percent of
99 27 the outstanding ownership interests of each class and series
99 28 of a subsidiary directly, or indirectly through related

99 29 organizations, other than classes or series that, absent this
99 30 section, would otherwise not be entitled to vote on the
99 31 merger, may merge the subsidiary into itself or into any other
99 32 subsidiary at least ninety percent of the outstanding
99 33 ownership interests of each class and series of which is owned
99 34 by the parent cooperative directly, or indirectly through
99 35 related organizations, other than classes or series that,
100 1 absent this section, would otherwise not be entitled to vote
100 2 on the merger, without a vote of the members of itself or any
100 3 subsidiary or may merge itself, or itself and one or more of
100 4 the subsidiaries, into one of the subsidiaries under this
100 5 section. A resolution approved by the affirmative vote of a
100 6 majority of the directors of the parent cooperative present
100 7 shall set forth a plan of merger that contains all of the
100 8 following:

- 100 9 (1) The name of the subsidiary or subsidiaries, the name
100 10 of the parent cooperative, and the name of the surviving
100 11 cooperative.
- 100 12 (2) The manner and basis of converting the membership
100 13 interests of the subsidiary or subsidiaries or parent
100 14 cooperative into securities of the parent cooperative,
100 15 subsidiary, or of another cooperative or, in whole or in part,
100 16 into money or other property.
- 100 17 (3) If the parent cooperative is a constituent cooperative
100 18 but is not the surviving cooperative in the merger, a
100 19 provision for the pro rata issuance of membership interests of
100 20 the surviving cooperative to the holders of membership
100 21 interests of the parent on surrender of any certificates for
100 22 shares or membership interests of the parent cooperative.
- 100 23 (4) If the surviving cooperative is a subsidiary, a
100 24 statement of any amendments to the articles of the surviving
100 25 cooperative that will be part of the merger.
 - 100 26 b. If the parent is a constituent cooperative and the
100 27 surviving cooperative in the merger, the parent cooperative
100 28 may change its cooperative name, without a vote of its
100 29 members, by the inclusion of a provision to that effect in the
100 30 resolution of merger setting forth the plan of merger that is
100 31 approved by the affirmative vote of a majority of the
100 32 directors of the parent cooperative present. Upon the
100 33 effective date of the merger, the name of the parent
100 34 cooperative shall be changed.
 - 100 35 c. If the parent cooperative is a constituent cooperative
101 1 but is not the surviving cooperative in the merger, the
101 2 resolution is not effective unless the resolution is also
101 3 approved by the affirmative vote of the holders of a majority
101 4 of the voting power of all membership interests of the parent
101 5 entitled to vote at a regular or special meeting if the parent
101 6 is a cooperative, or in accordance with the laws under which
101 7 the parent is organized if the parent is a foreign business
101 8 entity or foreign cooperative.
- 101 9 3. NOTICE TO MEMBERS OF SUBSIDIARY. Notice of the action,
101 10 including a copy of the plan of merger, shall be delivered to
101 11 each member, other than the parent cooperative and any
101 12 subsidiary of each subsidiary that is a constituent
101 13 cooperative in the merger before, or within ten days after,
101 14 the effective date of the merger.
- 101 15 4. ARTICLES OF MERGER == CONTENTS OF ARTICLES. Articles
101 16 of merger shall be prepared that contain all of the following:
 - 101 17 a. The plan of merger.
 - 101 18 b. The number of outstanding membership interests of each
101 19 series and class of each subsidiary that is a constituent
101 20 cooperative in the merger, other than the series or classes
101 21 that, absent this section, would otherwise not be entitled to
101 22 vote on the merger, and the number of membership interests of
101 23 each series and class of the subsidiary or subsidiaries, other
101 24 than series or classes that, absent this section, would
101 25 otherwise not be entitled to vote on the merger, owned by the
101 26 parent directly, or indirectly through related organizations.
 - 101 27 c. A statement that the plan of merger has been approved
101 28 by the parent under this section.
- 101 29 5. ARTICLES SIGNED, FILED. The articles of merger shall
101 30 be signed on behalf of the parent and filed with the
101 31 secretary.
- 101 32 6. CERTIFICATE. The secretary shall issue a certificate
101 33 of merger to the parent or its legal representative or, if the
101 34 parent is a constituent cooperative but is not the surviving
101 35 cooperative in the merger, to the surviving cooperative or its
102 1 legal representative.
- 102 2 7. NONEXCLUSIVITY. A merger among a parent and one or
102 3 more subsidiaries or among two or more subsidiaries of a
102 4 parent may be accomplished under section 501A.1101 instead of

102 5 this section, in which case this section does not apply.

102 6 Sec. 82. NEW SECTION. 501A.1103 ABANDONMENT.

102 7 1. ABANDONMENT BY MEMBERS OF PLAN. After a plan of merger
102 8 has been approved by the members entitled to vote on the
102 9 approval of the plan and before the effective date of the
102 10 plan, the plan may be abandoned by the same vote that approved
102 11 the plan.

102 12 2. ABANDONMENT OF MERGER.

102 13 a. A merger may be abandoned upon any of the following:

102 14 (1) The members of each of the constituent domestic
102 15 cooperatives entitled to vote on the approval of the plan have
102 16 approved the abandonment at a meeting by the affirmative vote
102 17 of the holders of a majority of the voting power of the
102 18 membership interests entitled to vote.

102 19 (2) The merger is with a domestic cooperative and an Iowa
102 20 limited liability company or foreign business entity.

102 21 (3) The abandonment is approved in such manner as may be
102 22 required by section 490A.1207 for the involvement of an Iowa
102 23 limited liability company, or for a foreign business entity by
102 24 the laws of the state under which the foreign business entity
102 25 is organized.

102 26 (4) The members of a constituent domestic cooperative are
102 27 not entitled to vote on the approval of the plan, and the
102 28 board of the constituent domestic cooperative has approved the
102 29 abandonment by the affirmative vote of a majority of the
102 30 directors present.

102 31 (5) The plan provides for abandonment and all conditions
102 32 for abandonment set forth in the plan are met.

102 33 (6) The plan is abandoned before the effective date of the
102 34 plan by a resolution of the board of any constituent domestic
102 35 cooperative abandoning the plan of merger approved by the
103 1 affirmative vote of a majority of the directors present,
103 2 subject to the contract rights of any other person under the
103 3 plan. If a plan of merger is with a domestic business entity
103 4 or foreign business entity, the plan of merger may be
103 5 abandoned before the effective date of the plan by a
103 6 resolution of the foreign business entity adopted according to
103 7 the laws of the state under which the foreign business entity
103 8 is organized, subject to the contract rights of any other
103 9 person under the plan. If the plan of merger is with an Iowa
103 10 limited liability company, the plan of merger may be abandoned
103 11 by the Iowa limited liability company as provided in section
103 12 490A.1207, subject to the contractual rights of any other
103 13 person under the plan.

103 14 b. If articles of merger have been filed with the
103 15 secretary, but have not yet become effective, the constituent
103 16 organizations, in the case of abandonment under paragraph "a",
103 17 subparagraphs (1) through (4), the constituent organizations
103 18 or any one of them, in the case of abandonment under paragraph
103 19 "a", subparagraph (5), or the abandoning organization in the
103 20 case of abandonment under paragraph "a", subparagraph (6),
103 21 shall file with the secretary articles of abandonment that
103 22 include all of the following:

103 23 (1) The names of the constituent organizations.

103 24 (2) The provisions of this section under which the plan is
103 25 abandoned.

103 26 (3) If the plan is abandoned under paragraph "a",
103 27 subparagraph (6), the text of the resolution abandoning the
103 28 plan.

103 29 Sec. 83. NEW SECTION. 501A.1104 CONVERSION == AMENDMENT
103 30 OF ORGANIZATIONAL DOCUMENTS TO BE GOVERNED BY THIS CHAPTER.

103 31 1. AUTHORITY.

103 32 a. A traditional cooperative organized may convert to a
103 33 cooperative and become subject to this chapter by amending its
103 34 organizational documents to conform to the requirements of
103 35 this chapter.

104 1 b. A traditional cooperative becoming a converted
104 2 cooperative must provide its members with a disclosure
104 3 statement of the rights and obligations of the members and the
104 4 capital structure of the cooperative before becoming subject
104 5 to this chapter. A traditional cooperative, upon distribution
104 6 of the disclosure required in this subsection and approval of
104 7 its members as necessary for amending its articles under the
104 8 respective chapter of its organization, may amend its articles
104 9 to comply with this chapter.

104 10 c. A traditional cooperative becoming a converted
104 11 cooperative must prepare a certificate stating all of the
104 12 following:

104 13 (1) The date on which the traditional cooperative was
104 14 first organized.

104 15 (2) The name of the traditional cooperative and, if the

104 16 name is changed, the name of the cooperative becoming
104 17 converted.
104 18 (3) The future effective date and time, which must be a
104 19 date and time certain, that the traditional cooperative will
104 20 be governed by this chapter, if the effective date and time is
104 21 not to be the date and time of filing.

104 22 d. Upon filing with the secretary of the articles for
104 23 compliance with this chapter and the certificate required
104 24 under paragraph "c", a traditional cooperative is converted
104 25 and governed by this chapter unless a later date and time is
104 26 specified in the certificate under paragraph "c".

104 27 e. In connection with a conversion under which a
104 28 traditional cooperative becomes governed by this chapter, the
104 29 rights, securities, or interests of the traditional
104 30 cooperative as provided in chapter 497, 498, 499, or 501 may
104 31 be exchanged or converted into rights, property, securities,
104 32 or interests in the converted cooperative.

104 33 2. EFFECT OF BEING GOVERNED BY THIS CHAPTER. The
104 34 conversion of a traditional cooperative to a cooperative
104 35 governed by this chapter does not affect any obligations or
105 1 liabilities of the cooperative before the conversion or the
105 2 personal liability of any person incurred before the
105 3 conversion.

105 4 a. When the conversion is effective, the rights,
105 5 privileges, and powers of the cooperative, real and personal
105 6 property of the cooperative, debts due to the cooperative, and
105 7 causes of action belonging to the traditional cooperative
105 8 remain vested in the converted cooperative and are the
105 9 property of the converted cooperative and governed by this
105 10 chapter. Title to real property vested by deed or otherwise
105 11 in the traditional cooperative does not revert and is not
105 12 impaired by reason of the cooperative being converted and
105 13 governed by this chapter.

105 14 b. Rights of creditors and liens upon property of the
105 15 traditional cooperative are preserved unimpaired, and debts,
105 16 liabilities, and duties of the traditional cooperative remain
105 17 attached to the converted cooperative and may be enforced
105 18 against the converted cooperative to the same extent as if the
105 19 debts, liabilities, and duties had originally been incurred or
105 20 contracted by the cooperative as organized under this chapter.

105 21 c. The rights, privileges, powers, and interests in
105 22 property of the traditional cooperative as well as the debts,
105 23 liabilities, and duties of the traditional cooperative are not
105 24 deemed, as a consequence of the conversion, to have been
105 25 transferred for any purpose by the laws of this state.

105 26 SUBCHAPTER 12

105 27 DISSOLUTION

105 28 Sec. 84. NEW SECTION. 501A.1201 METHODS OF DISSOLUTION.

105 29 A cooperative may be dissolved by the members or by
105 30 administrative or court order as provided in this chapter.

105 31 Sec. 85. NEW SECTION. 501A.1202 WINDING UP.

105 32 1. COLLECTION AND PAYMENT OF DEBTS. After the notice of
105 33 intent to dissolve has been filed with the secretary, the
105 34 board, or the officers acting under the direction of the
105 35 board, shall proceed as soon as possible to do all of the
106 1 following:

106 2 a. Collect or make provision for the collection of all
106 3 debts due or owing to the cooperative, including unpaid
106 4 subscriptions for membership interests.

106 5 b. Pay or make provision for the payment of all debts,
106 6 obligations, and liabilities of the cooperative according to
106 7 their priorities.

106 8 2. TRANSFER OF ASSETS. After the notice of intent to
106 9 dissolve has been filed with the secretary, the board may
106 10 sell, lease, transfer, or otherwise dispose of all or
106 11 substantially all of the property and assets of the dissolving
106 12 cooperative without a vote of the members.

106 13 3. DISTRIBUTION TO MEMBERS. Tangible and intangible
106 14 property, including money, remaining after the discharge of
106 15 the debts, obligations, and liabilities of the cooperative
106 16 shall be distributed to the members and former members as
106 17 provided in the cooperative's articles or bylaws, unless
106 18 otherwise provided by law. If previously authorized by the
106 19 members, the tangible and intangible property of the
106 20 cooperative may be liquidated and disposed of at the
106 21 discretion of the board.

106 22 Sec. 86. NEW SECTION. 501A.1203 REVOCATION OF
106 23 DISSOLUTION PROCEEDINGS.

106 24 1. AUTHORITY TO REVOKE. Dissolution proceedings may be
106 25 revoked before the articles of dissolution are filed with the
106 26 secretary.

106 27 2. REVOCATION BY MEMBERS. The chairperson may call a
106 28 members' meeting to consider the advisability of revoking the
106 29 dissolution proceedings. The question of the proposed
106 30 revocation shall be submitted to the members at the members'
106 31 meeting called to consider the revocation. The dissolution
106 32 proceedings are revoked if the proposed revocation is approved
106 33 at the members' meeting by a majority of the members of the
106 34 cooperative or, for a cooperative with articles or bylaws
106 35 requiring a greater number of members, the number of members
107 1 required by the articles or bylaws.

107 2 3. FILING WITH THE SECRETARY. Revocation of dissolution
107 3 proceedings is effective when a notice of revocation is filed
107 4 with the secretary. After the notice is filed, the
107 5 cooperative may resume business.

107 6 Sec. 87. NEW SECTION. 501A.1204 STATUTE OF LIMITATIONS.
107 7 The claim of a creditor or claimant against a dissolving
107 8 cooperative is barred if the claim has not been enforced by
107 9 initiating legal, administrative, or arbitration proceedings
107 10 concerning the claim by two years after the date the notice of
107 11 intent to dissolve is filed with the secretary.

107 12 Sec. 88. NEW SECTION. 501A.1205 ARTICLES OF DISSOLUTION.

107 13 1. CONDITIONS TO FILE. Articles of dissolution of a
107 14 cooperative shall be filed with the secretary after payment of
107 15 the claims of all known creditors and claimants has been made
107 16 or provided for and the remaining property has been
107 17 distributed by the board. The articles of dissolution shall
107 18 state all of the following:

107 19 a. All debts, obligations, and liabilities of the
107 20 cooperative have been paid or discharged or adequate
107 21 provisions have been made for them or time periods allowing
107 22 claims have run and other claims are not outstanding.

107 23 b. The remaining property, assets, and claims of the
107 24 cooperative have been distributed among the members or under a
107 25 liquidation authorized by the members.

107 26 c. Legal, administrative, or arbitration proceedings by or
107 27 against the cooperative are not pending or adequate provision
107 28 has been made for the satisfaction of a judgment, order, or
107 29 decree that may be entered against the cooperative in a
107 30 pending proceeding.

107 31 2. DISSOLUTION EFFECTIVE ON FILING. The cooperative is
107 32 dissolved when the articles of dissolution have been filed
107 33 with the secretary.

107 34 3. CERTIFICATE. The secretary shall issue to the
107 35 dissolved cooperative or its legal representative a
108 1 certificate of dissolution that contains all of the following:

108 2 a. The name of the dissolved cooperative.

108 3 b. The date the articles of dissolution were filed with
108 4 the secretary.

108 5 c. A statement that the cooperative is dissolved.

108 6 Sec. 89. NEW SECTION. 501A.1206 APPLICATION FOR COURT=
108 7 SUPERVISED VOLUNTARY DISSOLUTION.

108 8 After a notice of intent to dissolve has been filed with
108 9 the secretary and before a certificate of dissolution has been
108 10 issued, the cooperative or, for good cause shown, a member or
108 11 creditor may apply to a court within the county where the
108 12 registered address is located to have the dissolution
108 13 conducted or continued under the supervision of the court.

108 14 Sec. 90. NEW SECTION. 501A.1207 COURT=ORDERED REMEDIES
108 15 FOR DISSOLUTION.

108 16 1. CONDITIONS FOR RELIEF. A court may grant equitable
108 17 relief that the court deems just and reasonable in the
108 18 circumstances or may dissolve a cooperative and liquidate its
108 19 assets and business as follows:

108 20 a. In a supervised voluntary dissolution that is applied
108 21 for by the cooperative.

108 22 b. In an action by a member when it is established that
108 23 any of the following apply:

108 24 (1) The directors or the persons having the authority
108 25 otherwise vested in the board are deadlocked in the management
108 26 of the cooperative's affairs and the members are unable to
108 27 break the deadlock.

108 28 (2) The directors or those in control of the cooperative
108 29 have acted fraudulently, illegally, or in a manner unfairly
108 30 prejudicial toward one or more members in their capacities as
108 31 members, directors, or officers.

108 32 (3) The members of the cooperative are so divided in
108 33 voting power that, for a period that includes the time when
108 34 two consecutive regular members' meetings were held, they have
108 35 failed to elect successors to directors whose terms have
109 1 expired or would have expired upon the election and
109 2 qualification of their successors.

109 3 (4) The cooperative assets are being misapplied or wasted.
109 4 (5) The period of duration as provided in the articles has
109 5 expired and has not been extended as provided in this chapter.
109 6 c. In an action by a creditor when any of the following
109 7 applies:
109 8 (1) The claim of the creditor against the cooperative has
109 9 been reduced to judgment and an execution on the judgment has
109 10 been returned unsatisfied.
109 11 (2) The cooperative has admitted in writing that the claim
109 12 of the creditor against the cooperative is due and owing and
109 13 it is established that the cooperative is unable to pay its
109 14 debts in the ordinary course of business.
109 15 (3) In an action by the attorney general to dissolve the
109 16 cooperative in accordance with this chapter when it is
109 17 established that a decree of dissolution is appropriate.

109 18 2. CONDITION OF COOPERATIVE OR ASSOCIATION. In
109 19 determining whether to order equitable relief or dissolution,
109 20 the court shall take into consideration the financial
109 21 condition of the cooperative, but shall not refuse to order
109 22 equitable relief or dissolution solely on the grounds that the
109 23 cooperative has accumulated operating net income or current
109 24 operating net income.

109 25 3. DISSOLUTION AS REMEDY. In deciding whether to order
109 26 dissolution of the cooperative, the court shall consider
109 27 whether lesser relief suggested by one or more parties, such
109 28 as a form of equitable relief or a partial liquidation, would
109 29 be adequate to permanently relieve the circumstances
109 30 established under subsection 1, paragraph "b", subparagraph
109 31 (1) or (2). Lesser relief may be ordered if it would be
109 32 appropriate under the facts and circumstances of the case.

109 33 4. EXPENSES. If the court finds that a party to a
109 34 proceeding brought under this section has acted arbitrarily,
109 35 vexatiously, or otherwise not in good faith, the court may in
110 1 its discretion award reasonable expenses, including attorney
110 2 fees and disbursements to any of the other parties.

110 3 5. VENUE. Proceedings under this section shall be brought
110 4 in a court within the county where the registered address of
110 5 the cooperative is located.

110 6 6. PARTIES. It is not necessary to make members parties
110 7 to the action or proceeding unless relief is sought against
110 8 them personally.

110 9 Sec. 91. NEW SECTION. 501A.1208 PROCEDURE IN INVOLUNTARY
110 10 OR COURT-SUPERVISED VOLUNTARY DISSOLUTION.

110 11 1. ACTION BEFORE HEARING. Before a hearing is completed
110 12 in dissolution proceedings, a court may do any of the
110 13 following:
110 14 a. Issue injunctions.
110 15 b. Appoint receivers with all powers and duties that the
110 16 court directs.
110 17 c. Take actions required to preserve the cooperative's
110 18 assets, wherever located.
110 19 d. Carry on the business of the cooperative.

110 20 2. ACTION AFTER HEARING. After a hearing is completed,
110 21 upon notice to parties to the proceedings and to other parties
110 22 in interest designated by the court, the court may appoint a
110 23 receiver to collect the cooperative's assets, including
110 24 amounts owing to the cooperative by subscribers on account of
110 25 an unpaid portion of the consideration for the issuance of
110 26 membership interests. A receiver has authority, subject to
110 27 the order of the court, to continue the business of the
110 28 cooperative and to sell, lease, transfer, or otherwise dispose
110 29 of the property and assets of the cooperative, either at
110 30 public or private sale.

110 31 3. DISCHARGE OF OBLIGATIONS. The assets of the
110 32 cooperative or the proceeds resulting from a sale, lease,
110 33 transfer, or other disposition shall be applied in the
110 34 following order of priority:
110 35 a. The costs and expense of the proceedings, including
111 1 attorney fees and disbursements.
111 2 b. Debts, taxes, and assessments due the United States,
111 3 this state, and other states in that order.
111 4 c. Claims duly proved and allowed to employees under the
111 5 provisions of the workers' compensation law, except that
111 6 claims under this paragraph shall not be allowed if the
111 7 cooperative carried workers' compensation insurance, as
111 8 provided by law, at the time the injury was sustained.
111 9 d. Claims, including the value of all compensation paid in
111 10 a medium other than money, proved and allowed to employees for
111 11 services performed within three months preceding the
111 12 appointment of the receiver.
111 13 e. Other claims that are proved and allowed by the court.

111 14 4. REMAINDER TO MEMBERS. After payment of the expenses of
111 15 receivership and claims of creditors are proved, the remaining
111 16 assets, if any, may be distributed to the members or
111 17 distributed under an approved liquidation plan.

111 18 Sec. 92. NEW SECTION. 501A.1209 RECEIVER QUALIFICATIONS
111 19 AND POWERS.

111 20 1. QUALIFICATIONS. A receiver shall be a natural person
111 21 or a domestic business entity or a foreign business entity
111 22 authorized to transact business in this state. A receiver
111 23 shall give a bond as directed by the court with the sureties
111 24 required by the court.

111 25 2. POWERS. A receiver may sue and defend in all courts as
111 26 receiver of the cooperative. The court appointing the
111 27 receiver has exclusive jurisdiction of the cooperative and its
111 28 property.

111 29 Sec. 93. NEW SECTION. 501A.1210 DISSOLUTION ACTION BY
111 30 ATTORNEY GENERAL == ADMINISTRATIVE DISSOLUTION.

111 31 1. CONDITIONS TO BEGIN ACTION. A cooperative may be
111 32 dissolved involuntarily by a decree of a court in this state
111 33 in an action filed by the attorney general if it is
111 34 established that any of the following applies:

111 35 a. The articles and certificate of organization were
112 1 procured through fraud.

112 2 b. The cooperative was organized for a purpose not
112 3 permitted by this chapter or prohibited by state law.

112 4 c. The cooperative has flagrantly violated a provision of
112 5 this chapter, has violated a provision of this chapter more
112 6 than once, or has violated more than one provision of this
112 7 chapter.

112 8 d. The cooperative has acted, or failed to act, in a
112 9 manner that constitutes surrender or abandonment of the
112 10 cooperative's franchise, privileges, or enterprise.

112 11 2. NOTICE TO COOPERATIVE. An action shall not be
112 12 commenced under subsection 1 until thirty days after notice to
112 13 the cooperative by the attorney general of the reason for the
112 14 filing of the action. If the reason for filing the action is
112 15 an act that the cooperative has done, or omitted to do, and
112 16 the act or omission may be corrected by an amendment of the
112 17 articles or bylaws or by performance of or abstention from the
112 18 act, the attorney general shall give the cooperative thirty
112 19 additional days to make the correction before filing the
112 20 action.

112 21 Sec. 94. NEW SECTION. 501A.1211 FILING CLAIMS IN COURT=
112 22 SUPERVISED DISSOLUTION PROCEEDINGS.

112 23 1. FILING UNDER OATH. In proceedings to dissolve a
112 24 cooperative, the court may require all creditors and claimants
112 25 of the cooperative to file their claims under oath with the
112 26 clerk of court or with the receiver in a form prescribed by
112 27 the court.

112 28 2. DATE TO FILE A CLAIM. If the court requires the filing
112 29 of claims, the court shall do all of the following:

112 30 a. Set a date, by order, at least one hundred twenty days
112 31 after the date the order is filed as the last day for the
112 32 filing of claims.

112 33 b. Prescribe the notice of the fixed date that shall be
112 34 given to creditors and claimants.

112 35 3. FIXED DATE OR EXTENSION FOR FILING. Before the fixed
113 1 date, the court may extend the time for filing claims.
113 2 Creditors and claimants failing to file claims on or before
113 3 the fixed date may be barred, by order of court, from claiming
113 4 an interest in or receiving payment out of the property or
113 5 assets of the cooperative.

113 6 Sec. 95. NEW SECTION. 501A.1212 DISCONTINUANCE OF COURT=
113 7 SUPERVISED DISSOLUTION PROCEEDINGS.

113 8 The involuntary or supervised voluntary dissolution of a
113 9 cooperative may be discontinued at any time during the
113 10 dissolution proceedings if it is established that cause for
113 11 dissolution does not exist. The court shall dismiss the
113 12 proceedings and direct the receiver, if any, to redeliver to
113 13 the cooperative its remaining property and assets.

113 14 Sec. 96. NEW SECTION. 501A.1213 COURT-SUPERVISED
113 15 DISSOLUTION ORDER.

113 16 1. CONDITIONS FOR DISSOLUTION ORDER. In an involuntary or
113 17 supervised voluntary dissolution the court shall enter an
113 18 order dissolving the cooperative upon the following
113 19 conditions:

113 20 a. After the costs and expenses of the proceedings and all
113 21 debts, obligations, and liabilities of the cooperative have
113 22 been paid or discharged and the remaining property and assets
113 23 have been distributed to its members.

113 24 b. If the property or other assets are not sufficient to

113 25 satisfy and discharge the costs, expenses, debts, obligations,
113 26 and liabilities, when all the property and assets have been
113 27 applied so far as they will go to their payment according to
113 28 their priorities.

113 29 2. DISSOLUTION EFFECTIVE ON FILING ORDER. When the order
113 30 dissolving the cooperative has been entered, the cooperative
113 31 is dissolved.

113 32 Sec. 97. NEW SECTION. 501A.1214 FILING COURT'S
113 33 DISSOLUTION ORDER.

113 34 After the court enters an order dissolving a cooperative,
113 35 the clerk of court shall cause a certified copy of the
114 1 dissolution order to be filed with the secretary. The
114 2 secretary shall not charge a fee for filing the dissolution
114 3 order.

114 4 Sec. 98. NEW SECTION. 501A.1215 BARRING OF CLAIMS.

114 5 1. CLAIMS BARRED. A person who is or becomes a creditor
114 6 or claimant before, during, or following the conclusion of
114 7 dissolution proceedings, who does not file a claim or pursue a
114 8 remedy in a legal, administrative, or arbitration proceeding
114 9 during the pendency of the dissolution proceeding or has not
114 10 initiated a legal, administrative, or arbitration proceeding
114 11 before the commencement of the dissolution proceedings and all
114 12 those claiming through or under the creditor or claimant, are
114 13 forever barred from suing on that claim or otherwise realizing
114 14 upon or enforcing it, except as provided in this section.

114 15 2. CERTAIN UNFILED CLAIMS ALLOWED. Within one year after
114 16 articles of dissolution have been filed with the secretary
114 17 under this chapter or a dissolution order has been entered, a
114 18 creditor or claimant who shows good cause for not having
114 19 previously filed the claim may apply to a court in this state
114 20 to allow a claim for any of the following:

114 21 a. Against the cooperative to the extent of undistributed
114 22 assets.

114 23 b. If the undistributed assets are not sufficient to
114 24 satisfy the claim, the claim may be allowed against a member
114 25 to the extent of the distributions to members in dissolution
114 26 received by the member.

114 27 3. OMITTED CLAIMS ALLOWED. Debts, obligations, and
114 28 liabilities incurred during dissolution proceedings shall be
114 29 paid or provided for by the cooperative before the
114 30 distribution of assets to a member. A person to whom this
114 31 kind of debt, obligation, or liability is owed but is not paid
114 32 may pursue any remedy against the offenders, directors, or
114 33 members of the cooperative before the expiration of the
114 34 applicable statute of limitations. This subsection does not
114 35 apply to dissolution under the supervision or order of a

115 1 court.
115 2 Sec. 99. NEW SECTION. 501A.1216 RIGHT TO SUE OR DEFEND
115 3 AFTER DISSOLUTION.

115 4 After a cooperative has been dissolved, any of its former
115 5 officers, directors, or members may assert or defend, in the
115 6 name of the cooperative, a claim by or against the
115 7 cooperative.

115 8 DIVISION II
115 9 CONFORMING CHANGES

115 10 Sec. 100. Section 10B.1, subsection 2, Code Supplement
115 11 2003, is amended to read as follows:

115 12 2. "Cooperative association" means any entity organized on
115 13 a cooperative basis, including an association of persons
115 14 organized under chapter 497, 498, or 499; an entity composed
115 15 of entities organized under those chapters; or a cooperative
115 16 organized under chapter 501 or 501A.

115 17 Sec. 101. Section 15.333, subsection 1, unnumbered
115 18 paragraph 1, Code Supplement 2003, is amended to read as
115 19 follows:

115 20 An eligible business may claim a corporate tax credit up to
115 21 a maximum of ten percent of the new investment which is
115 22 directly related to new jobs created by the location or
115 23 expansion of an eligible business under the program. Any
115 24 credit in excess of the tax liability for the tax year may be
115 25 credited to the tax liability for the following seven years or
115 26 until depleted, whichever occurs earlier. Subject to prior
115 27 approval by the department of economic development in
115 28 consultation with the department of revenue, an eligible
115 29 business whose project primarily involves the production of
115 30 value-added agricultural products may elect to receive a
115 31 refund of all or a portion of an unused tax credit. For
115 32 purposes of this section, an eligible business includes a
115 33 cooperative described in section 521 of the Internal Revenue
115 34 Code which is not required to file an Iowa corporate income
115 35 tax return. The refund may be used against a tax liability

116 1 imposed under chapter 422, division II, III, or V. If the
116 2 business is a partnership, S corporation, limited liability
116 3 company, cooperative organized under chapter 501 or 501A and
116 4 filing as a partnership for federal tax purposes, or estate or
116 5 trust electing to have the income taxed directly to the
116 6 individual, an individual may claim the tax credit allowed.
116 7 The amount claimed by the individual shall be based upon the
116 8 pro rata share of the individual's earnings of the
116 9 partnership, S corporation, limited liability company,
116 10 cooperative organized under chapter 501 or 501A and filing as
116 11 a partnership for federal tax purposes, or estate or trust.

116 12 Sec. 102. Section 15.385, subsection 3, paragraph a, Code
116 13 Supplement 2003, is amended to read as follows:

116 14 a. An eligible business may claim a tax credit equal to a
116 15 percentage of the new investment directly related to new jobs
116 16 created by the location or expansion of an eligible business
116 17 under the program. The tax credit shall be allowed against
116 18 taxes imposed under chapter 422, division II, III, or V. If
116 19 the business is a partnership, S corporation, limited
116 20 liability company, cooperative organized under chapter 501 and
116 21 filing as a partnership for federal tax purposes, or estate or
116 22 trust electing to have the income taxed directly to the
116 23 individual, an individual may claim the tax credit allowed.
116 24 The amount claimed by the individual shall be based upon the
116 25 pro rata share of the individual's earnings of the
116 26 partnership, S corporation, limited liability company,
116 27 cooperative organized under chapter 501 or 501A, and filing as
116 28 a partnership for federal tax purposes, or estate or trust.
116 29 The percentage shall be equal to the amount provided in
116 30 paragraph "d". Any tax credit in excess of the tax liability
116 31 for the tax year may be credited to the tax liability for the
116 32 following seven years or until depleted, whichever occurs
116 33 first.

116 34 Subject to prior approval by the department of economic
116 35 development, in consultation with the department of revenue,
117 1 an eligible business whose project primarily involves the
117 2 production of value-added agricultural products or uses
117 3 biotechnology-related processes may elect to receive a refund
117 4 of all or a portion of an unused tax credit. For purposes of
117 5 this subsection, such an eligible business includes a
117 6 cooperative described in section 521 of the Internal Revenue
117 7 Code which is not required to file an Iowa corporate income
117 8 tax return, and whose project primarily involves the
117 9 production of ethanol. The refund may be applied against a
117 10 tax liability imposed under chapter 422, division II, III, or
117 11 V. If the business is a partnership, S corporation, limited
117 12 liability company, cooperative organized under chapter 501 or
117 13 501A, and filing as a partnership for federal tax purposes, or
117 14 estate or trust electing to have the income taxed directly to
117 15 the individual, an individual may claim the tax credit
117 16 allowed. The amount claimed by the individual shall be based
117 17 upon the pro rata share of the individual's earnings of the
117 18 partnership, S corporation, limited liability company,
117 19 cooperative organized under chapter 501 and filing as a
117 20 partnership for federal tax purposes, or estate or trust.

117 21 Sec. 103. Section 15E.193C, subsection 7, paragraph a,
117 22 Code Supplement 2003, is amended to read as follows:

117 23 a. An eligible development business may claim a tax credit
117 24 up to a maximum of ten percent of the new investment that is
117 25 directly related to the construction, expansion, or
117 26 rehabilitation of building space to be used for manufacturing,
117 27 processing, cold storage, distribution, or office facilities.
117 28 For purposes of this section, "new investment" includes the
117 29 purchase price of land and the cost of improvements made to
117 30 real property. The tax credit may be claimed by an eligible
117 31 development business for the tax year in which the
117 32 construction, expansion, or rehabilitation is completed. The
117 33 tax credit may be used to reduce the tax liability imposed
117 34 under chapter 422, division II, III, or V, or chapter 432.
117 35 Any credit in excess of the tax liability for the tax year may
118 1 be credited to the tax liability for the following seven years
118 2 or until depleted, whichever occurs earlier. If the business
118 3 is a partnership, S corporation, limited liability company,
118 4 cooperative organized under chapter 501 or 501A and filing as
118 5 a partnership for federal tax purposes, or estate or trust
118 6 electing to have the income taxed directly to the individual,
118 7 an individual may claim the tax credit allowed. The amount
118 8 claimed by the individual shall be based upon the pro rata
118 9 share of the individual's earnings of the partnership, S
118 10 corporation, limited liability company, cooperative organized
118 11 under chapter 501 or 501A and filing as a partnership for

118 12 federal tax purposes, or estate or trust.
118 13 Sec. 104. Section 15E.202, subsection 17, paragraph b,
118 14 Code 2003, is amended to read as follows:
118 15 b. A cooperative organized under chapter 501 or 501A.
118 16 Sec. 105. Section 203.1, subsection 10, paragraph i, Code
118 17 Supplement 2003, is amended to read as follows:
118 18 i. A cooperative organized under chapter 501 or 501A, if
118 19 the cooperative only purchases grain from its members who are
118 20 producers or from a licensed grain dealer, and the cooperative
118 21 does not resell that grain.
118 22 Sec. 106. Section 490A.102, subsection 4, Code 2003, is
118 23 amended to read as follows:
118 24 4. "Constituent entity" means each limited liability
118 25 company, limited partnership, ~~or~~ corporation, or domestic
118 26 cooperative which is party to a plan of merger pursuant to
118 27 subchapter XII.
118 28 Sec. 107. Section 490A.102, Code 2003, is amended by
118 29 adding the following new subsection:
118 30 NEW SUBSECTION. 7A. "Domestic cooperative" means a
118 31 cooperative organized under chapter 497, 498, 499, 501, or
118 32 501A.
118 33 Sec. 108. Section 490A.1201, Code 2003, is amended by
118 34 striking the section and inserting in lieu thereof of the
118 35 following:
119 1 490A.1201 CONSTITUENT ENTITY.
119 2 As used in this section, unless the context otherwise
119 3 requires, "constituent entity", as used in sections 490A.1202,
119 4 490A.1204, 490A.1205, and 490A.1207, includes a domestic
119 5 cooperative. However, as used in section 490A.1203,
119 6 "constituent entity" does not include a domestic cooperative.
119 7 Sec. 109. NEW SECTION. 490A.1201A MERGER.
119 8 With or without a business purpose, a limited liability
119 9 company may merge with any of the following:
119 10 1. Another domestic limited liability company pursuant to
119 11 a plan of merger approved in the manner provided in sections
119 12 490A.1202 through 490A.1205.
119 13 2. A domestic corporation under a plan of merger approved
119 14 in the manner provided in sections 490A.1202 through
119 15 490A.1205, and in chapter 490.
119 16 3. A domestic limited partnership pursuant to a plan of
119 17 merger approved in the manner provided in sections 490A.1202
119 18 through 490A.1207, and in chapter 487.
119 19 4. One or more cooperatives organized under chapter 497,
119 20 498, 499, 501, or 501A, in the manner provided by and subject
119 21 to the limitations in section 490A.1207.
119 22 5. A foreign corporation, foreign limited liability
119 23 company, or foreign limited partnership pursuant to a plan of
119 24 merger approved in the manner provided in section 490A.1206.
119 25 Sec. 110. Section 490A.1202, Code 2003, is amended by
119 26 adding the following new subsection:
119 27 NEW SUBSECTION. 01. As used in this section "interests"
119 28 includes but is not limited to membership interests in a
119 29 domestic cooperative.
119 30 Sec. 111. NEW SECTION. 490A.1207 MERGER OF DOMESTIC
119 31 COOPERATIVE INTO A DOMESTIC LIMITED LIABILITY COMPANY.
119 32 1. a. A limited liability company may merge with a
119 33 domestic cooperative only as provided by this section. A
119 34 limited liability company may merge with one or more domestic
119 35 cooperatives if all of the following apply:
120 1 (1) Only one limited liability company and one or more
120 2 domestic cooperatives are parties to the merger.
120 3 (2) When the merger becomes effective, the separate
120 4 existence of each domestic cooperative ceases and the limited
120 5 liability company is the surviving entity per organization.
120 6 (3) As to each domestic cooperative, the plan of merger is
120 7 initiated and adopted, and the merger is effectuated, as
120 8 provided in section 501A.1101.
120 9 (4) As to the limited liability company, the plan of
120 10 merger complies with section 490A.1202, the plan of merger is
120 11 approved as provided in section 490A.1203, and the articles of
120 12 merger are prepared, signed, and filed as provided in section
120 13 490A.1204.
120 14 (5) Notwithstanding section 490A.1202, 490A.1205, or
120 15 490A.1206, the surviving organization must be the limited
120 16 liability company.
120 17 3. Section 501A.1103 governs the abandonment by a domestic
120 18 cooperative of a merger authorized by this section. Section
120 19 490A.1203, subsection 2, governs the abandonment by a limited
120 20 liability company of a merger authorized by this section,
120 21 except that for the purposes of a merger authorized by this
120 22 section, the requirements stated in section 490A.1203,

120 23 subsection 2, paragraphs "b" and "c", do not apply and instead
120 24 the abandonment must have been approved by the domestic
120 25 cooperative.
120 26 Sec. 112. Section 499.4, unnumbered paragraph 1, Code
120 27 2003, is amended to read as follows:
120 28 ~~No A person or firm, and no including a corporation~~
120 29 hereafter organized, which is not an association as defined in
120 30 this chapter or a cooperative as defined in chapter 501 or
120 31 501A, shall not use the word "cooperative" or any abbreviation
120 32 thereof in its name or advertising or in any connection with
120 33 its business, except foreign associations admitted under
120 34 section 499.54. The attorney general or any association or
120 35 any member thereof may sue and enjoin such use.
121 1 Sec. 113. Section 502.102, subsection 15, Code Supplement
121 2 2003, is amended to read as follows:
121 3 15. "Person" means an individual; ~~i~~ a corporation; ~~i~~ a
121 4 limited liability company; ~~i~~ a partnership; ~~i~~ an association; ~~i~~ a
121 5 joint stock company; ~~i~~ a trust; ~~i~~ a fiduciary; ~~i~~ an
121 6 unincorporated organization, including but not limited to a
121 7 cooperative as provided in chapter 501A; a government; ~~i~~ or a
121 8 political subdivision of a government.
121 9 Sec. 114. Section 502.102, subsection 16, paragraph f,
121 10 Code Supplement 2003, is amended by adding the following new
121 11 subparagraph:
121 12 NEW SUBSECTION. (3) A dividend on equity distributed by
121 13 an agricultural cooperative association organized under
121 14 chapter 501A.
121 15 Sec. 115. Section 502.202, Code Supplement 2003, is
121 16 amended by adding the following new subsection:
121 17 NEW SUBSECTION. 20. a. Any offer or sale by a
121 18 cooperative organized under chapter 501A of its securities
121 19 when the securities are offered and sold only to its existing
121 20 members or when the purchase of the securities is necessary or
121 21 incidental to establishing patron membership in the
121 22 cooperative, or when such securities are issued as patronage
121 23 dividends. This subsection shall apply to offers and sales of
121 24 securities, other than the issuance of securities as patronage
121 25 dividends, only when the issuer, prior to the completion of
121 26 the sale of such securities, provides each offeree or
121 27 purchaser disclosure materials which, to the extent material
121 28 to an understanding of the issuer, its business, and the
121 29 securities being offered, substantially meet the disclosure
121 30 conditions and limitations found in Rule 502(b) of Regulation
121 31 D, promulgated by the securities and exchange commission, 17
121 32 C.F.R., pt. 17, } 230.502.
121 33 b. An agricultural cooperative association organized under
121 34 chapter 501A may, at or about the same time as offers or sales
121 35 are being completed in reliance upon this exemption from
122 1 registration and as part of a common plan of financing, offer
122 2 or sell its securities in reliance upon any other exemption
122 3 from registration available under this chapter. The offer or
122 4 sale of securities in reliance upon this subsection shall not
122 5 be considered or deemed a part of or be integrated with any
122 6 offer or sale of securities conducted by the agricultural
122 7 cooperative association in reliance upon any other exemption
122 8 from registration available under this chapter, nor shall
122 9 offers or sales of securities by the agricultural cooperative
122 10 association in reliance upon any other exemption from
122 11 registration available under this chapter be considered or
122 12 deemed a part of or be integrated with any offer or sale of
122 13 securities conducted by the agricultural cooperative
122 14 association in reliance upon this subsection.
122 15 Sec. 116. Section 556.1, subsection 3, Code Supplement
122 16 2003, is amended to read as follows:
122 17 3. "Cooperative association" means ~~an~~ any of the
122 18 following:
122 19 a. An entity which is structured and operated on a
122 20 cooperative basis, including an association of persons
122 21 organized under chapter 497, 498, or 499; or an entity
122 22 composed of entities organized under those chapters; ~~a.~~
122 23 b. A cooperative organized under chapter 501; ~~a.~~
122 24 c. A cooperative organized under chapter 501A.
122 25 d. A cooperative association organized under chapter
122 26 490; ~~or any.~~
122 27 e. Any other entity recognized pursuant to 26 U.S.C. }
122 28 1381(a) which meets the definitional requirements of an
122 29 association as provided in 12 U.S.C. } 1141(j)(a) or 7 U.S.C.
122 30 } 291.
122 31 Sec. 117. Section 556.5, subsection 4, paragraph b, Code
122 32 2003, is amended to read as follows:
122 33 b. A disbursement held by a cooperative association shall

122 34 not be deemed abandoned under this chapter if the disbursement
122 35 is retained by a cooperative association organized under
123 1 chapter 490 as provided in section 490.629, ~~or~~ by a
123 2 cooperative association organized under chapter 499 as
123 3 provided in section 499.30A, or by a cooperative as provided
123 4 in section 501A.1008.

123 5 EXPLANATION

123 6 This bill creates a new Code chapter 501A authorizing
123 7 persons to organize as a new form of cooperative. Generally,
123 8 cooperatives or cooperative associations in Iowa are formed
123 9 under Code chapter 499 (older Code chapters include 497 and
123 10 498). Traditionally, a cooperative is a business association
123 11 organized for purposes of providing economic services to its
123 12 members (sometimes referred to as shareholders) that does
123 13 business with patrons on a nonprofit or "cooperative" basis
123 14 and is taxed under special provisions.

123 15 Cooperatives are usually formed for agricultural purposes
123 16 or for providing utilities. Code chapter 501 provides for a
123 17 hybrid between a cooperative and corporation which is
123 18 organized for purposes of attracting outside capital. The
123 19 bill establishes another hybrid organization which includes
123 20 provisions and terms common to both cooperative associations
123 21 and limited liability companies. Its purpose is to allow the
123 22 formation of these types of business associations which are
123 23 organized and may be taxed as a limited liability company.

123 24 DIVISION I. The bill provides for administrative
123 25 provisions (governing the state's administration of
123 26 cooperative associations organized under the bill), its powers
123 27 and duties, including the powers and duties of its members and
123 28 directors, the equity interests (or membership interests) of
123 29 its members, the allocations and distributions of profits and
123 30 losses, mergers and conversions, and dissolution.

123 31 Specifically, the bill divides members up into investors
123 32 who do not patronize the cooperative and patrons who do. It
123 33 provides that an outside investor member may hold an equity
123 34 position in a cooperative, and to receive profits from its
123 35 business endeavors. Generally, patrons are provided control
124 1 of the cooperative (provided governance and financial rights)
124 2 unless the patrons grant equal control or greater financial
124 3 rights to nonpatron members. A patron member is entitled to
124 4 one vote on issues. However, the cooperative may allow patron
124 5 members additional votes based on patronage criteria.

124 6 The bill requires the allocations and distributions to
124 7 patron members to be not less than 50 percent of the total
124 8 profits or distributions in any fiscal year unless the patron
124 9 members authorize a lesser amount which may not be less than
124 10 15 percent. The bill provides that a cooperative may be
124 11 formed to grant voting rights to members or directors who are
124 12 patrons and nonpatrons (bloc voting). It also provides that,
124 13 collectively, nonpatron members may control up to 85 percent
124 14 of the voting, if provided in its bylaws. Under subchapter T
124 15 of the federal Internal Revenue Code, income generated by an
124 16 agricultural cooperative may be taxed at the cooperative level
124 17 or the patron level. The bill enables a cooperative to elect
124 18 to be taxed as a partnership under subchapter K or under
124 19 subchapter T. The bill also provides that a cooperative
124 20 organized under another chapter may elect to convert to a
124 21 cooperative organized under Code chapter 501A, assuming that
124 22 it meets the requirement of federal antitrust provisions.

124 23 The bill provides for mergers between cooperatives into
124 24 Code chapter 501A business entities or into Iowa limited
124 25 liability companies or foreign business entities. The bill
124 26 does not specifically provide for dissenters' rights as
124 27 ordinarily provided under cooperative law.

124 28 DIVISION II. The bill also provides a number of changes to
124 29 other provisions of the Code. It makes changes to economic
124 30 development provisions, including those in Code section
124 31 15.333, which provides that an eligible business under the new
124 32 jobs and income program may claim a tax credit of up to 10
124 33 percent of a new investment that involves the creation of new
124 34 jobs, and provisions in Code section 15E.193C, which provides
124 35 that an eligible development business may claim a tax credit
125 1 up to a maximum of 10 percent of the new investment. The bill
125 2 amends provisions in Code chapter 15E, which includes the Iowa
125 3 agricultural industry finance Act, by allowing Code chapter
125 4 501A cooperatives to participate in loans extended by an
125 5 agricultural industry finance corporation.

125 6 The bill amends various provisions in Code chapter 490A,
125 7 which provides for limited liability companies, by providing
125 8 for mergers between such companies and cooperatives organized
125 9 under Code chapter 501A.

125 10 The bill amends Iowa's "Blue Sky Law", codified in Code
125 11 chapter 502, by providing for the regulation of cooperatives.
125 12 It also amends Code chapter 556, which provides for abandoned
125 13 property by providing special provisions for the distribution
125 14 of such property by Code chapter 501A cooperatives.
125 15 LSB 5655HC 80
125 16 da/pj/5